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INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

U.S. Congress
HEARINGS

BEFORE A

**SPECIAL COMMITTEE INVESTIGATING THE
NATIONAL DEFENSE PROGRAM**

**UNITED STATES SENATE
SEVENTY-SEVENTH CONGRESS**

FIRST SESSION

PURSUANT TO

S. Res. 71

**A RESOLUTION AUTHORIZING AND DIRECTING
AN INVESTIGATION OF THE NATIONAL
DEFENSE PROGRAM**

PART 8

OCTOBER 3, 7, 8, 9, 14, 15, 21, 22, 23, 24, 27, 28, 29, AND 31, 1941

DEFENSE HOUSING

DEFENSE CONTRACTS

ALUMINUM

Printed for the use of the Special Committee Investigating
the National Defense Program



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1942

302386

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DEFENSE PROGRAM

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INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, OCTOBER 3, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to adjournment on Monday, September 15, 1941, in room 318, Senate Office Building, Senator Carl Hatch acting chairman.

Present: Senator Carl Hatch (acting chairman) and Joseph H. Ball.

Present also: Hugh A. Fulton, chief counsel, and Charles P. Clark, associate chief counsel.

Acting Chairman HATCH. The committee will come to order. It is apparent that the other Senators are not going to be able to be present this morning.

Mr. Carmody, you may state your name for the record, and your official position.

TESTIMONY OF JOHN M. CARMODY, ADMINISTRATOR, FEDERAL WORKS AGENCY, WASHINGTON, D. C.

Mr. CARMODY. My name is John M. Carmody, Administrator, Federal Works Agency.

Acting Chairman HATCH. You do not have a prepared statement, Mr. Carmody?

Mr. CARMODY. No.

Acting Chairman HATCH. If it is agreeable to you, Mr. Fulton will ask you some questions.

Mr. CARMODY. That is agreeable to me. I haven't prepared a statement, because I have found frequently that prepared statements waste a committee's time and don't get at the issues, and I prefer to have the matter developed by questions.

FORMATION AND FUNCTIONS OF FEDERAL WORKS AGENCY

Mr. FULTON. Mr. Carmody, would you describe the office that you hold, and the general functions that you exercise in that office?

Mr. CARMODY. As a result of a recommendation by the President for the coordination of certain activities in the Federal Government, the Congress passed a Reorganization Act in 1939 which created a Federal Works Agency. Into that agency the President, with the consent of the Congress, put the United States Housing Authority, which up to that time had been in the Department of the Interior,

with an administrator appointed by the President and confirmed by the Senate; P. W. A., Public Works Administration, which while an independent agency, had been administered by the Secretary of the Interior as Administrator for the Public Works Administration; W. P. A., which at that time was wholly independent of any other agency; the Public Buildings Administration, which for many years had been in the Treasury, at one time known as the Office of the Supervising Architect, and more latterly as the Public Buildings Administration. Into the Public Buildings Administration there was also incorporated or transferred Space Control, which had been in Interior, Buildings Management, which I think had also been in the Park Service in Interior; and Public Roads Administration, which for many years had been the Bureau of Public Roads in the Department of Agriculture. Those agencies, then, became constituent units of the Federal Works Agency.

Mr. FULTON. And you are the Administrator of the Federal Works Agency?

Mr. CARMODY. Yes.

Mr. FULTON. Which would include those various agencies that you have referred to?

Mr. CARMODY. Yes.

ACTIVITIES OF THE VARIOUS DEFENSE HOUSING AGENCIES

Mr. FULTON. Now, which of these agencies are engaged in defense housing activities?

Mr. CARMODY. Public Buildings Administration has many defense housing assignments. The United States Housing Authority has many defense housing assignments. In addition to those two, I have set up within my own office two separate groups, each dealing with defense housing and each one grew out of a special character of building or a special character of management: One of them primarily to handle demountable housing, and one of them to handle the mutual home ownership plan as it is developing.

Mr. FULTON. And what are the two names of the two new agencies?

Mr. CARMODY. Well, they are really not agencies; they are merely departments or divisions within the Federal Works Agency itself, and responsible to the Administrator through the regular processes of that particular office. They are not set up as separate units. It is quite as if we got a new job to do in some part of the world, for instance, in Puerto Rico or somewhere, and we wanted to set up a division that would devote its time wholly to that particular activity. That is the relationship there.

Mr. FULTON. What are their names?

Mr. CARMODY. Mutual Ownership Defense Housing Division, and the Defense Housing Division itself, which has to do with all demountable housing construction, and also in that division we have a section devoted to housing management.

Mr. FULTON. Then does that mean that under you there are four divisions or departments or agencies constructing defense housing?

Mr. CARMODY. The act says that the Administrator may use any agency, Federal or local, with its consent. Perhaps I can clarify the whole business here by offering for the record a chart that tells

precisely how the administration is organized for constructing and managing defense housing under the Lanham Act from the time the job of construction is assigned to us.¹ The assignment for construction comes to us from the President after he has approved the recommendations of the Coordinator of Defense Housing. It comes then to the Federal Works Administrator's office. It may be handled by any one of these groups named here: Public Buildings Administration, the United States Housing Authority, the Navy Department—I shall put the chart into the record² and I hand you one now—the War Department, the Farm Security Administration, the Tennessee Valley Authority, the Alley Dwelling Authority of the District of Columbia, local housing authorities that are regularly constituted under the laws of their States, or the Division of Defense Housing.

Mr. FULTON. Or this Mutual Ownership Defense Housing Division.

Mr. CARMODY. That is a unit that reports directly to the Administrator and assignments may be made to that unit.

Mr. FULTON. Then there are nine different agencies or divisions for housing construction?

Mr. CARMODY. Yes.

Mr. FULTON. Plus whatever local housing—

Mr. CARMODY. That is right.

Mr. FULTON. ———authorities you might designate.

Mr. CARMODY. That is right. We have designated two local housing authorities with whom we deal directly; the United States Housing Authority itself usually deals with local housing authorities that they have had experience with; yes.

Mr. FULTON. What has been your experience with having so many different agencies, nine different agencies, all operating in the same field, defense housing?

Mr. CARMODY. I think that to have attempted to confine a program of this character to any single agency, I don't care what it is, would not have got the results in speed that we got by this arrangement.

Mr. FULTON. Have we got results in speed by this arrangement?

Mr. CARMODY. I think we have. I think we have, when all factors are taken into consideration. I think we have; yes. I think, for instance, that when several of these agencies work simultaneously on the problem we get better speed than if we have to go through a single channel. For instance, let's take the Tennessee Valley Authority. It was my own idea—they did not ask for this work—to ask them to do some defense housing construction work in the Tennessee Valley for us. The Tennessee Valley Authority has been in existence for several years. The Authority first took over the management of homes that were built and left at Muscle Shoals and reconditioned them for people to live in and then they built many, many homes themselves for workers in the area. They have a complete construction unit. They have architects, they have planners, they have draftsmen, they have men who are accustomed to buy land in that area, and when they took that job I feel confident that they gave us a better result than we could have got by sending strangers into the area.

¹ Subsequently submitted and included in the appendix on p. 2902.

Mr. FULTON. Do you have figures on the number of different units which have been allocated to the several different agencies and divisions?

Mr. CARMODY. Yes.

Mr. FULTON. What would be the total number of units of defense housing that have already been allocated as projects?

Mr. CARMODY. Let me answer first the number of projects, and then I will get to the units.

As of September 26, the total number of projects assigned to the Public Buildings Administration is 148; to the United States Housing Authority, 105; to the Farm Security Administration, 6; to the Division of Defense Housing, 61; to the Mutual Ownership Defense Housing Division, 10; to the Navy, 8; to the Alley Dwelling Authority, 2; to the Army, 1; and to the Tennessee Valley Authority, 1, but I should like to have it said that this assignment covered 3 separate localities in the Tennessee Valley. I was sure we had more than one location.

Mr. FULTON. That is somewhere around 350 or 360.

Mr. CARMODY. A total of 342.

Now, as for units, out of a total of 91,344 units, 32,877 to P. B. A., 28,677 to U. S. H. A., 1,485 to Farm Security Administration, 20,203 to Defense Housing, 4,600 to Mutual Ownership Defense Housing, 2,482 to the Navy, 550 to Alley Dwelling Authority, 220 to the Army, 250 to Tennessee Valley Authority.

The Army assignment, I might say, is in Alaska, where we have no immediate representative and where the Army is carrying on construction right at the point where these houses are to be built, and they are to be built for the Army.

Mr. FULTON. Then we have a total of ninety-odd-thousand dwelling units that will be created.

Mr. CARMODY. Yes.

Mr. FULTON. And in attempting to ascertain how much money has already been authorized for expenditure, I tried to add up the various amounts and I got to the sum, I think, of \$792,000,000, including the recent \$200,000,000 F. H. A. increase. Does that correspond with your understanding?

Mr. CARMODY. This record as of September 26, Mr. Fulton, shows that for 342 projects and a total of 91,344 dwelling units, the estimated total cost is \$359,704,000. This does not include about \$13,000,000 which has been earmarked for administering working funds, reserve for community facilities, and reserve for contingencies.

Mr. FULTON. And that would not include the \$300,000,000 for F. H. A. defense housing?

Mr. CARMODY. No; we have no connection with F. H. A. and no responsibility for them, except that we work with them to find out that we are not in their way when they are selecting sites or proposing buildings, that is all; but we have no responsibility for their funds.

Mr. FULTON. And the \$372,000,000 for which you do have that responsibility would not include all of the moneys that are authorized or available, would it? It would rather include merely the moneys that you have allocated to definite projects?

Mr. CARMODY. That is right.

Mr. FULTON. And the first figure that I was trying to reach was the amount that is available for expenditure, which I understood was somewhere in the neighborhood of four-hundred-and-ninety-million-odd dollars, plus \$300,000,000.

Mr. CARMODY. I don't have at my elbow the total figure that is available. I can tell you the instructions that I have given to our accounting people. You watch every request for allocation so closely that you are dead sure that you don't allocate money that we don't have appropriated to us. I have, on various occasions, asked what the balance is, but I haven't it today.

Mr. FULTON. I was merely trying to ascertain the size of the defense housing program, including, of course, the F. H. A., which is not directly under you; and the figure, as far as I was able to get it, was, I believe, \$792,000,000, including the \$300,000,000 for the F. H. A.

Mr. CARMODY. Mr. Adams says that is approximately right. Here we have, going back to the early days, \$100,000,000 appropriated to the President under Public 781 for Army and Navy construction. The Army transferred to us approximately \$45,000,000 to take care of their construction. Then there was an authorization again of \$150,000,000 under Public, 849. That was on October 14, 1940. That was the Lanham Act. Then \$150,000,000 more was authorized April 29, 1941.

Now, for temporary and mobile housing, certain authorizations were made, and appropriations. That is not in our shop, so I do not know how much specifically nor what was done with it.

Mr. FULTON. Then there is \$50,000,000 for still another agency, the Defense Homes Corporation, which again is out of your jurisdiction and which would have to be added to the nine agencies we had originally, making ten.

Mr. CARMODY. That is true.

Mr. FULTON. That is under the R. F. C., is it not?

Mr. CARMODY. Yes, it is.

Mr. FULTON. I think that \$792,000,000 is approximately the figure, and then there is a pending increase, is there not, in the Lanham Act for an additional \$300,000,000, which would bring the total for defense housing up to a figure of around \$1,092,000,000, almost \$1,100,000,000.

Now, going into that background of the legislation that you were just mentioning, I think in addition there is some \$32,000,000 under Public Act 671 that had been made available.

Mr. CARMODY. I neglected to cover that. The act of June 28, 1940, authorizes the use of funds of the United States Housing Authority for the development of housing for persons engaged in national-defense activities; housing with a total estimated cost of approximately \$32,500,000 has been financed under this act, Public, 671, which was approved on June 28. That was before any other defense housing got under way. The United States Housing Authority, having had a good deal of experience in the construction of low-cost houses and knowing of the need, got authority from the Congress to use some of its funds to build urgently needed defense housing to that extent, and did it, as you see, several months before the Lanham Act was passed.

Mr. FULTON. Then under that particular act, 671, the money under that act, as I understand it, is available and was being used for housing

projects by three different agencies, one the U. S. H. A., one the Army, and one the Navy.

Mr. CARMODY. Yes. The U. S. H. A. made those funds available to the Army and to the Navy because at that time they were the agencies that represented themselves to be in greatest need of housing for their personnel. That money was made available. As a matter of fact, I think the availability arose out of an amendment to an Army or a Navy act in the Congress.

Mr. FULTON. I thought I would show you a chart that had been prepared which we thought of putting into the record as indicating the sources of statutory authority and the various separate agencies doing it. You will note under 671 there at the extreme left that it does have those three agencies working under that act.

Mr. CARMODY. Yes.

Mr. FULTON. And then as to Public Act 781—

Mr. CARMODY. Yes.

Mr. FULTON. That has construction to the amount of \$100,000,000, as I understand it, or at least an appropriation of that size, where the Secretary of War or the Secretary of the Navy or the Chairman of the Maritime Commission certifies that the housing is for purposes under their respective jurisdictions. Now, is that separate and apart from your jurisdiction, or is that in any way correlated with yours?

Mr. CARMODY. I think that under that act, or under that appropriation, the Navy undertook its own construction. The Army asked us to take over the construction, and we did take it over, and they gave us, in the transfer, all the authority that we would have under the Lanham Act to handle our own business, so that to all intents and purposes we have done that job for the Army with the Army's money, at the request of the Army, and incidentally we have had good liaison with the Army and excellent relationship with the Army throughout all of this construction period.

Mr. FULTON. And that part, that is, the construction for the Army, is being done by P. B. A. under that particular act?

Mr. CARMODY. Yes.

Mr. FULTON. And then there is a public act—

Mr. CARMODY. Excuse me just a moment. At this point I think I might say that at the time that this appropriation was made available, U. S. H. A. was having some difficulties and undergoing some criticism, I think a good deal of it unwarranted and unjustified, but nevertheless that was the situation, and representatives of the Army who had occasion to go about the Hill on their own business got the impression that perhaps U. S. H. A. was not an efficient construction agency, and it was because of that that the Army asked that P. B. A. do their construction with their funds.

But after U. S. H. A. got assignments from me directly to use our money to build houses, these Army men went out to see some of them. They also talked to some other people on the Hill on their own, and they came to me to say that they were prepared now to ask that U. S. H. A. do as much of their construction as they could, because they found it to be good construction. I think the record ought to show that, because it was as a result of what has later been represented to me as a misunderstanding that the Army came to its early conclusion, and on its own volition and without my discussing the matter with

them at all, because we told them that we would do precisely what they asked us to do with their money.

Mr. FULTON. And that construction under that Act 781 would now be by two agencies, so far as the Army has transferred it to you, one P. B. A., and one U. S. H. A.

Mr. CARMODY. Yes.

Mr. FULTON. Then going to Act P. A. 9, under which the Farm Security Administration has allocated to it \$20,000,000, that is in no way connected with your agency, is it?

Mr. CARMODY. No; it is not.

Mr. FULTON. So that it would be a separate category similar to the defense homes?

Mr. CARMODY. Yes; a separate category, I think pretty much under the direct supervision of the Coordinator of Defense Housing. I might say a word at that point with respect to our relationships with F. S. A. A good many of the new munitions plants, particularly, or powder plants, were built in rural areas, quite deliberately to get them away from communities where people are assembled in large numbers.

F. S. A. has had a good deal of experience in rural communities; they had a good deal of experience on the Pacific coast developing labor camps and more latterly communities for rural people. We wanted to utilize that experience, particularly where we were going into rural areas, and we have assigned work to them in those areas, in Pulaski in Virginia, Radford, Va., and a few other places—one in Taft, Calif., very near to where they have already done some work, and also at Greenbelt in Washington. They had had the experience of developing Greenbelt and building it, they owned a great deal of property out there, and we were able to utilize their experience and their land in the development of this project.

Mr. FULTON. Would their authority be limited to projects that are assigned by you, or do they also have extra money, this \$20,000,000, for their own projects?

Mr. CARMODY. I don't know. Let me say this. I am not sure whether that appropriation was made to them or to the President. I think it was made to the President, and he may assign it to them or not, as he wishes.

Mr. FULTON. I see, and then at the present time the assignment has been on such projects as you have assigned to them, or is it an independent agency?

Mr. CARMODY. I can't tell you what other assignments they have. I have seen trailer camps that they have set up, and I have seen some dormitories that they have built, but I am not sure under whose authority they built them, whether the Defense Housing Coordinator himself gave them the instructions, or whether they came to F. S. A. under some other branch of Government reporting to the President, but I know it is separate from our funds and separate from our relationship with them. We have not asked them to do trailer work for us. They are doing it for somebody else.

We have not asked them to build dormitories. We are asking them to build houses in areas that are either rural or on the edge of the rural areas.

Mr. FULTON. So that as to trailers and dormitories that may have been constructed by F. S. A., that would be outside your jurisdiction?

Mr. CARMODY. Wholly outside our jurisdiction.

CONSTRUCTION OF DORMITORIES BY DEFENSE HOUSING AGENCIES

Mr. CARMODY. On the question of dormitories, there was a feeling on the part of our lawyers, and a very strong feeling, that the Lanham Act does not permit the construction of dormitories. I think the Office of the Coordinator of Defense Housing felt that it did permit it, and the lawyers argued for a long time. In the process we found that the Navy had actually built, out of funds that we allotted to them, in Hawaii, dormitory units for 1,400 men. Subsequently, because of terrific pressure from San Diego, we built dormitories for 750 men in about 30 days. It was the quickest dormitory job that I know of. They were idle a long time, and we are now getting people to live in them. We find now that we have to furnish them to get people in.

We have assigned for construction a dormitory for 100 men in Arlington, Tex., that has not yet been built.

Mr. FULTON. What was the nature of this doubt as to the legality of using funds for dormitory purposes?

Mr. CARMODY. Well, I should like to have you question the general counsel for the Defense Housing Coordinator's Office and the general counsel for the Federal Works Agency. I think it is quite appropriate that you might do it. I am not a lawyer. I have to be guided with respect to these fine legal points by what my own general counsel tells me, and if, after study, he changes his mind, I change mine.

Mr. FULTON. What has been his advice with respect to the legality of using funds to build dormitories?

Mr. CARMODY. His advice was that we were within the law if, in building these, we designed them so that they might be converted into family-dwelling units, and they are built that way. They are so built that a rearrangement of partitions will bring them within the legal terms of the act.

Mr. FULTON. And does that include the Navy project that you refer to?

Mr. CARMODY. I understand that it does; yes.

Mr. FULTON. And the purpose of building dormitories was what, as far as you know, speed?

Mr. CARMODY. I think it grew out of the fact that a good many of the defense industries had a policy of hiring single men—I can't tell you so much about Hawaii, but I can tell you about San Diego. In San Diego, I dare say the preponderance of employees that were taken on at the Consolidated Plant and other aircraft plants in the early days were single men. They got as many young men as they could. As a matter of fact, the whole industry has consistently tried to employ young men, and that was the reason for the demand there.

Mr. FULTON. Well, the committee was in San Diego. We were informed that the housing, although built possibly in 30 days, was not being occupied because the men didn't want to live in them, wouldn't live in such dormitories, especially when they weren't furnished.

Mr. CARMODY. Mr. Fulton, you have heard and read a good deal about friction between the Housing Coordinator and John Carmody. It grows out of the fact that we felt that we ought not to build those dormitories, and we finally did build them at the very great insistence of the Coordinator. The same thing happened when we purchased a property in Boston. We argued it for days and days, and in the friendliest fashion, but I finally came to the conclusion that reason wasn't governing some of these decisions. However, when the President gives us a job to do over his signature, we do it.

Acting Chairman HATCH. You say reason did not govern the decisions. What did?

Mr. CARMODY. I cannot tell you what did. I cannot tell you. Perhaps a careful analysis of the whole record would do it. I should like, if I might do it, now, to put into the record a telegram that I sent to Joe Larkin, of the Bethlehem Steel Corporation, and his reply with respect to the Boston job, which is somewhat akin to this dormitory business.¹ Now, we have no responsibility for finding need, and we make no attempt to find need. We have no field staff to look for need. That is the responsibility of the Coordinator, and I have always felt it was none of our business to interfere with it. However, when a situation of this dormitory character is brought to us, when so many people say, "Don't do it, it ought not to be done," we refer the matter to him.

The dormitory thing bothered me because the lawyer said it wasn't legal to do it, and I was clear myself, from my attendance at the hearings, and my reading of the hearings, that the committee itself, when it authorized the appropriation, thought it was authorizing funds to house families.

Now, it may well be that if at that time somebody said, "What are you going to do about single men and single women?" then some special arrangement would have been made, or perhaps the Act would have been broadened to cover it, but I am, myself, not aware of the fact that that was the intent of the committee.

However, again I say, not being a lawyer I am guided by the opinion and advice of the General Counsel.

Do we have the reply to my telegram to Larkin?

Mr. FULTON. Does that relate to the Fore River project?

Mr. CARMODY. Yes.

Mr. FULTON. We will take that up in just 1 minute. While you are talking about the dormitories, it is true that they were found to be unoccupied in large part after construction, at least so long as they were not also furnished?

Mr. CARMODY. We were in constant touch with the Office of the Coordinator on that question. We were pressed so hard to build them that I assumed that they themselves, or their organization in the field, would have people ready to move in. They weren't ready to move in. Then we found we had to furnish them.

Mr. FULTON. Is there authority to spend housing money for furniture?

Mr. CARMODY. We have found authority for it. There again I have the legal opinion of our people, and authority has been found to spend money for furniture.

¹ Subsequently read into record. See *infra*, pp. 2343-2345.

Senator BALL. Didn't anybody raise that question before you built the dormitories, that single men don't carry around furniture with them?

Mr. CARMODY. I can't say as to that.

Senator BALL. Didn't that come up before the project was started, that you would need to furnish these rooms?

Mr. CARMODY. I don't recall that anybody asked us to furnish them, or to make any provision for furnishing them.

Senator BALL. Isn't that just common sense, that you would have to furnish dormitories for single men?

Mr. CARMODY. I have lived in dormitories, and I always found furniture in them, myself, but we are operating under a law that has certain limitations, and at that time the question of buying furniture for any of these houses was not raised. It has been raised since. We are finding, even in dwelling units, that there are many places where it is necessary for somebody to provide furniture because the people who are moving in do not have it, or will not buy it. They will continue to live in a trailer or in a shack rather than lay out the money necessary to buy furniture to equip even a modest three- or four-room house.

Right now, arrangements are being made by some of the management people to sell furniture, to charge a rental for the furniture that will amortize it within a reasonable time. It had to be done in order to keep workers in plants that were badly needing workers.

Senator BALL. How big was this San Diego project? How many men?

Mr. CARMODY. This particular dormitory project had 750 separate rooms or units of rooms, in 17 buildings, providing for 750 men. I put it that way, because some of them were double beds and double rooms. We knew that would be the case.

Senator BALL. That was finished when?

Mr. CARMODY. It was finished within about 30 days after the construction started. I can't give you the date, but I will get it.

Senator BALL. Roughly.

Mr. CARMODY. It was in the winter sometime. It was begun on April 2, and 35 days later they were available for use.

Senator BALL. How many of those rooms are occupied now?

Mr. CARMODY. Forty-four are now occupied.

Senator BALL. Forty-four out of seven hundred and fifty.

Acting Chairman HATCH. And those are furnished?

Mr. CARMODY. These are all furnished; yes.

Senator BALL. How much did that project run to, with the furniture?

Mr. CARMODY. We will provide that figure.¹ I can't tell you offhand what it was. It was done as a separate job, but done by a contractor who was doing another job in San Diego at the time and had his facilities and personnel available.

Senator BALL. Done at the insistence of the Defense Coordinator?

Mr. CARMODY. At the very great insistence, if you please, sir; yes, indeed; even to the point of irritation.

Senator BALL. Why was he so insistent? You said it wasn't reason.

Mr. CARMODY. Perhaps he will be able to tell you. Their records

¹ Mr. Carmody subsequently informed the committee that it cost approximately \$300,000 to construct the dormitories at San Diego, and it is estimated that it would cost about \$42,000 to furnish them.

may be able to indicate that representations made to his office were such that he felt compelled to do it, or that it was absolutely necessary and that it would save employees who otherwise might leave San Diego. I don't know.

I have a memorandum here which refreshes my own recollection. After the dormitories were built, we were told that there were thousands of rooms available in San Diego for single people, but we have in our own business no connection with finding rooms or anything of that sort. We don't have any room-finding agency or unit or staff.

Mr. FULTON. Would that be more the Coordinator's task?

Mr. CARMODY. Yes; that is part of his responsibility.

Mr. FULTON. I note that there are quite a few of those dormitories being leased to the N. Y. A. for various purposes.

Mr. CARMODY. Not ours; none that we have built. Perhaps we ought to do something with these 750, and I am hoping we can. I don't know quite what we can do with them. Somebody told me the other day that Major Fleet is in town. Major Fleet is head of the Consolidated Corporation out there, building airplanes. I have known him for several years, and he is tremendously active in getting additional facilities for San Diego—water and sewer and housing and everything else. He may be able to help us with this.

Acting Chairman HATCH. How about the operation and management of these dormitories? Do you make any arrangement for that?

Mr. CARMODY. We have a manager in San Diego for other housing units, and he takes care of this and does what he can, but I can say definitely that we have pressed continuously, and we have put advertisements in the paper, and have done everything that seems to me to be reasonable to get people to occupy these dormitories. We have people here, management people, who have devoted more of their time to it than I have, but I have been aware of it and every week I review the occupancy on all of our projects, and from day to day, when special cases of vacancies come up, like this, I ask somebody what he is doing about it and what we ought to do and what is reasonable to do. We don't think we ought to have this investment out there. We are running out of money now, and this money put into something else would probably yield a larger return in satisfaction to defense workers who are badly in need of housing.

Acting Chairman HATCH. Have you furnished all of these 750 rooms?

Dr. FOREMAN.¹ Furniture is ordered for all of them and will be in next week. We didn't order it all until we furnished one building. When that building showed it was going to fill up, we ordered the furniture for the rest of them.

Acting Chairman HATCH. These you did furnish have filled up?

Mr. CARMODY. Yes.

Mr. FULTON. And nothing in the other buildings?

Mr. CARMODY. No.

Acting Chairman HATCH. What about your chances now, if you furnish these others? Is it going to be filled up?

Mr. CARMODY. I can't tell you whether it will be filled up or not. Apparently they are more attractive furnished than they are without furniture.

¹ Clark Foreman, special assistant on defense housing, Federal Works Agency.

Acting Chairman HATCH. I think that is right. We can agree to that.

Senator BALL. Actually, though, what you are doing, if you report that there are thousands of single rooms available there, would indicate that if you furnished these dormitories, you are simply going to take the roomers away from private homes.

Mr. CARMODY. No; we may take some, but the dormitory is there, and we have got to utilize it either in that fashion or by converting it into dwelling units. That may be the next step.

Acting Chairman HATCH. Who takes care of these dormitories, makes the beds and sweeps the floors and things like that for these single men?

Mr. CARMODY. You have to hire a housekeeper just like you do in any other dormitory. There are many dormitories in operation in that general area.

Acting Chairman HATCH. Do you do that, too?

Mr. CARMODY. We have to do that; that is part of our job, you see, and collect the rents, and do all the things you have to do about a dormitory, whether it be a college dormitory or Y. M. C. A., or what not.

OCCUPANCY STATUS OF DEFENSE HOUSING PROJECTS

Senator BALL. Have you run into that situation on any of your dwelling units, family units? I notice in your report you have 20,000 reported as available for occupancy, but only 13,600 occupied.

Mr. CARMODY. There are various reasons for failure to occupy immediately. Sometimes people who will live in these houses have leases somewhere, or have some other accommodation or some arrangement with somebody to tide them over. That may extend over a period of 2 weeks or even a month during which they can't make the adjustment. That may be one reason. In other cases, particularly in Army posts, the men are on maneuvers when the houses become available. They are not prepared, then, to make arrangements to bring their families. The Army understands that. They work with our management people.

Senator BALL. Is that on this housing for noncoms?

Mr. CARMODY. Yes.

In industrial areas generally, except in a few cases, the houses are occupied as promptly as they are ready for occupancy.

Senator BALL. I take it, then, as I understand it, you make no estimate of needs; that all comes down from the Coordinator; he certifies that there is a need there. You haven't run into a situation comparable to that on the dormitories on your family units?

Mr. CARMODY. Yes; Boston is a case in point which we will talk about here.

Senator BALL. That is the only one?

Mr. CARMODY. No; we ran into another one that we corrected after strenuous effort. We ran into one in Baltimore where we had to do some newspaper advertising and newspaper work to get the units occupied, but there, again, we bought a U. S. H. A. slum-clearance project.

Senator BALL. Is there one in Pennsylvania?

Mr. CARMODY. No; that is one in Baltimore. It was bought, really, to serve the employees of the Glenn Martin plant. I think it is fair

to say that Mr. Martin preferred to have the homes built either on the property that he owned himself, near his plant, or on adjacent farm property that could have been made available by building certain water lines and sewer systems, and so on and so forth; but it would have taken a long time to get that built, even if it seemed wise to build on property that he owned, right near his plant, and thereby make it a sort of company town. When we didn't do that, then we got no cooperation from his organization to fill these houses that we did buy.

I think it is fair also to say that while those negotiations were going on he himself was building several hundred houses on property that he owned, and much more attractive property, so far as my observation went, than the property that was being made available to us, and I should think that when a man is in the real-estate business in that fashion he would like to see his own houses filled up before he would certify his employees to other houses, and perhaps that may have been one of the reasons we had great difficulty in getting those filled.

Senator BALL. He was financing that construction himself?

Mr. CARMODY. I don't know how he financed it. He was building some very nice houses, low-cost houses.

Senator BALL. Those two, Boston and Baltimore, are the only two where you have run into the situation where the need for housing was apparently overestimated?

Mr. CARMODY. I don't know that in either case it was overestimated; it may be that the fact that we had to buy something had something to do with it. I am not sure that the need wasn't as great, for instance, around the shipyards in Quincy as it was represented to be; but when we built or bought in South Boston, the Quincy Shipyard workers did not wish to live there; that was the point. They stand out in my mind. I don't have the immediate figures in my mind of occupancy or lack of occupancy.

I think another place is in Nashville, Tenn. May I ask Dr. Foreman about that?

Dr. FOREMAN. We built 150 units, and we were about to let the contractor another 150 units—no; we built 300 and we were about to build 300 more after having been authorized by the President to do so. We found the Vultee Aircraft Co. was subcontracting a great many of its contracts, so that they were not bringing in the men that would be expected; therefore we held up the construction of the second 300. The first 300 are not yet full.

Mr. CARMODY. The first 300 are not yet full? How many vacancies in the 300?

Dr. FOREMAN. It is 65 percent filled.

Senator BALL. The 300 are 65 percent occupied?

Mr. CARMODY. Yes; and we did not build the additional 300.

Dr. FOREMAN. All of the land was bought, and plans were drawn and were out for bids.

Mr. CARMODY. You see, it is very difficult to know, when you are dealing with a single corporation of that kind, whether or not it will expand its operations according to its plans. I suppose no one could find out at the time the decision was made that Vultee would subcontract as much of its work. The fact of the matter is that that situation is changing every day because of the pressure that you are fully aware of to make prime contractors break down their contracts and

provide work for small businessmen in smaller communities, and this whole thing is almost a day-to-day business, I imagine.

Senator BALL. It seems to me that is the very reason they should be extremely conservative in estimating the need for these projects.

Mr. CARMODY. I think they are, on the whole. I think no one could do that job without making some mistakes, any more than anybody could do any job without making some mistakes—maybe fewer, but certainly some.

Now, I would like to have this in the record. This memorandum comes from Jacob Crane, Assistant Coordinator of Defense Housing, for the attention of Mr. Reeder, in charge of planning:

Your attention is directed to Mr. Reeder's memorandum of August 23, and the attachment whereby the Nashville Bridge Co. and Tennessee Aircraft Institute were included, along with the Vultee Aircraft Corporation, as being eligible as defense industries for project No. 40011.

This is a report that the Coordinator sends around to all of the interested agencies indicating what the defense industries are in the area for which he is recommending housing, so that we may be aware of what we deal with and whom we ought to see when we go into the area when we look at land, and so forth.

We wish to call your attention to the fact that the locality progress report was designed specifically for employees of the Vultee Aircraft Corporation, and the locality occupancy program No. 1, dated August 1, was distributed for comment and finally approved by Mr. Palmer August 19. This locality occupancy report concerned itself only with the Vultee Aircraft workers. We do not wish to extend to other companies at the present time the privilege of using this project by their workers until a reasonable time has elapsed. If this project is slow in filling up by the workers of the Vultee Aircraft, which is an entirely new industry in the city, we will be glad to consider the inclusion of other defense industries.

Well, it has been slow, and I am unaware of any change in the arrangement.

Dr. FOREMAN. We have opened it up to other defense industries.

Mr. CARMODY. Mr. Adams reminds me that that was not on the recommendation of the Coordinator, but on our own authority; otherwise, we would have even greater vacancy.

Apart from the loss of revenue, which has some importance, it is a fact that it looks as if we have used bad judgment when we built them if we don't get them occupied.

Mr. FULTON. On that point, is the lack of occupancy due to lack of need for housing in a particular locality, or due to the housing being unattractive or of the wrong character in the localities in which it has been built?

Mr. CARMODY. I would say in this case that it is due to a change in management policy on the part of the Vultee Co. I think there is no case in which houses are vacant for any length of time because they are unattractive. Some of them are not as attractive as people would like to have them. Many people whom I have talked to have specified the things they would like to have, which would cost perhaps twice as much as we are allowed to spend for these houses, but I am unaware of any case in which that is a factor that keeps houses idle for any length of time.

Dr. FOREMAN. In this particular case we built the project where the industry wanted it and we built it in full consultation with the

industry on the basis of information they supplied as to what workers they were going to bring from the west coast to Nashville. There has been no criticism either of the site or type.

Mr. FULTON. Then, I take it, applying it as a general thing, that it is your definite opinion that if housing which has been built for some months is unoccupied, it is not because the housing isn't attractive or desirable, but because there isn't any need in that particular area for that housing.

Mr. CARMODY. I would be perfectly willing to state any case that I know of in which people will not live in houses because they are not attractive enough. I know that a good many people would like to have better things or more things before they go in, but I know of no case in which we are unable to get people if they need houses.

Mr. FULTON. Mr. Carmody, in addition to the question of whether the house as such might not be attractive, there might be a question as to whether the type of house was the right one, dormitories as distinct from individual units, or individual units as distinct from apartments.

Mr. CARMODY. I think that may be true, but even there—

Mr. FULTON (interposing). Take your Boston project, for example. There certainly was a need for Fore River men to have housing.

Mr. CARMODY. You see, the Boston project was built for a different purpose. I have felt myself that there is a distinction between slum clearance housing and housing for defense workers. Slum clearance housing is set up deliberately and definitely on a subsidy basis to house people of low incomes. The Boston housing project was planned by an experienced local authority for that purpose, and it is true that some people said that they did not wish to live in a slum clearance project when their husbands were earning as much money as they were earning at Quincy. Some people wrote letters to me to that effect. But Boston is so large, and the whole defense program is so large, that if we are warranted at all in building in Boston, which I have some doubts about, we ought to be able to fill such a project from somewhere in the defense area—the Charleston shipyards and other places in Boston that have expanded their operations.

My attention is called to Warren, Ohio, Atlas Powder Co.

Dr. FOREMAN. There we have the project fully ready for occupancy, but only partially occupied, because we have been repeatedly told by the Defense Coordinator that those houses must be reserved for workers of the Atlas Powder Co. I point that out as an example of where there are houses vacant that could be filled if we opened them up to eligible defense workers. We have not opened them up because the Coordinator has asked us not to.

Mr. CARMODY. Here is a letter dated September 30, 1941, from Mr. Palmer, Coordinator of Housing, which I do not remember having read. It is a copy of a letter that came to my office. It came yesterday. May I read it for the record, because it bears on this Warren business?

(Senator Ball took the chair.)

Mr. CARMODY (reading):

We have been informed by representatives of the Atlas Powder Co. that the manager of project Ohio X No in Warren has informed them to the effect that unless the homes in that project were filled by October 1, the project would be opened to employees in other defense industries in Warren. We presume that the

manager is acting in conformity with your instructions in making that statement. In the usual situation, the opening of a project to other defense workers might be proper, but in this instance the best interests of the defense workers will be better served by holding it. This plant's operation is being held back to the extent of employment by the temporary lack of component parts for fabrication. It is therefore suggested that the instructions under which the project manager is managing be amended.

I think perhaps the Coordinator will be glad to justify that philosophy, and if that is a sound philosophy, it is one that I am sure will be approved. It may be that holding these open now will mean that additional homes need not be built, because the people who cannot get in here may find accommodations somewhere else—where, I don't know—and then when this production job gets up to schedule these homes will be available for the people that come in.

We think it is very important that we inform the Coordinator's office regularly with respect to occupancy and difficulties about occupancy. He is as much interested in it as we are.

In Warren there are 200 available and 68 occupied.

Mr. FULTON. There are a number of instances that the committee has noted, probably 15 or 20, where a very substantial percentage of housing has been available for some few months and is not occupied, and I suppose there are reasons in each area.

Mr. CARMODY. If we have a list of those, I would be glad to go over the complete list.

Mr. FULTON. Do you have a list of the occupancy of each one of the units?

Mr. CARMODY. Every one, and we check them constantly and I review them with the management staff every week, but you know, in each case we get the reason for failure to occupy and suggestions with respect to action, and the next week the list is different because in some cases they have got occupants, in other cases new dwellings come in that weren't on the list the week before.

Mr. FULTON. But substantially it appears that nearly one-third of all the dwellings built and ready for occupancy are not now being occupied.

Dr. FOREMAN. Sometime lag is absolutely necessary, because after the house is finished, people have to give notice and then move in. You can't have 100 percent in a progressive movement.

Mr. FULTON. That is true, but the amount that is unoccupied is half as great as the amount that is occupied, and it is of some importance in view of the request for another \$300,000,000.

Mr. CARMODY. That is right.

Well, now, of course, Mr. Fulton, I can think of no more difficult thing, and I have said this many times because I realize what a tremendous responsibility rests on the Coordinator, when he actually finds the need—I know of no greater responsibility than undertaking to say that a specific number of units must be provided, must be built with Federal funds, and then hope that at the moment or within a reasonable time after they are finished, specifically that number will be occupied by people who are directly connected with defense.

Now, running down this list, you know the plans of the companies change, and sometimes it may be that while there seems at a moment to be a terrific need and there is pressure for the project, that need is satisfied in some other fashion.

We have the project at the Gadsden ordnance plant. We have 46 dwelling units available, only four occupied. The explanation is that 90 percent of the occupancy is expected early in December, providing operations in shell loading plants are under way by then. Consideration is being given to opening this to other industries.

Another thing, planning a construction program of this character and getting a definite number of units built at a definite time is also extremely difficult. First, when we start out we don't know how much difficulty we may have in finding an appropriate site that is available. Sometimes it takes a long time to conclude the negotiations, even if we condemn the land, and then we have questions of arrangements with communities for furnishing certain public utilities, we have negotiations of that sort, and then sometimes we have a shortage of material. All of those things are hazards, and while we have a time schedule, and while we work closely with contractors to help them as well as to urge them to finish on time, we can't be sure.

Now, we don't like to slow down a job once we get it started, which accounts for the fact that sometimes we finish ahead of some ordnance plant that is being built. Our greatest difficulty is that we are behind, and we don't want to be behind.

Mr. FULTON. I was going to say that the delays would tend to minimize the occupancy lack rather than to increase it, so that that ought to be all the more reason why we shouldn't have a lot of unoccupied dwellings.

Mr. CARMODY. The fact of the matter is that I suppose an analysis of the requests for making homes available would indicate that at least 90 percent of them are for immediate availability. I know frequently we wish we could pick something off the shelf and put it on the ground and let people live in it.

Mr. FULTON. Taking a project like Houston, Tex., I notice there a 200-unit project has been available since July 11, and some of the units were available on June 16, but that as of September 19 only half of the units were occupied.

(Senator Hatch resumed the chair.)

Mr. CARMODY. Just a moment until I find Texas in this list.

The explanation is that only 10 percent of the personnel expected at Ellington Field is now located there. Applicants are objecting to lack of garages. Ninety percent occupancy anticipated January 2, 1942. We do not have money to build garages in all of these projects.

CONSTRUCTION OF DORMITORIES BY DEFENSE-HOUSING AGENCIES

Acting Chairman HATCH. I have in mind, Mr. Carmody, that you said your General Counsel advised you on these dormitories, at least I got the impression that his first opinion was that you had no legal authority to build them.

Mr. CARMODY. That was my impression.

Acting Chairman HATCH. But upon insistence, he found some way around the act.

Mr. CARMODY. I don't know that he found a way around the act through insistence. The General Counsel is here.

Mr. JOHNSTONE.¹ I don't know that there is any real difference of opinion. The general intent of this act,² Senator Hatch, of the wording and the legislative history, indicates that the Congress had in mind when it passed the act that we would build and dispose of houses for family occupancy because throughout the act you find the words "family-dwelling units." These particular needs developed in Hawaii and at San Diego that pressed themselves upon the Coordinator, and I discussed the matter with him and his counsel and with Admiral Moreell of the Navy. In order to meet this unusual need, which was not anticipated apparently at the time the legislation was passed, we reached the conclusion, in which I think we all agreed, that it was possible under the act for us to build an apartment dwelling that might later be occupied as family dwelling units, and permit its occupancy temporarily by single persons, and leave out part of the construction so as to make that possible.

Acting Chairman HATCH. And these dormitories were so designed and constructed that later they could be converted into family units?

Mr. JOHNSTONE. Admiral Moreell said that was done in Hawaii.

Acting Chairman HATCH. How about the furnishings?

Mr. JOHNSTONE. There is nothing in the testimony and there is nothing in the act particularly referring to furnishing of these dwellings, so that I do not think that it can be said that Congress specifically contemplated at the time of the passage of this act that they would be furnished. But Congress did use wording in this act which made me reach the comfortable conclusion that it was possible in emergency cases to provide furniture, because Congress refers not only to the construction of these dwellings, these family-dwellings units, but to their equipment.

Acting Chairman HATCH. Does the act use the word "equipment"?

Mr. JOHNSTONE. Yes. Let's see if I can find the wording. Yes; in section or subdivision (b) of section 1, the Administrator is authorized by contract or otherwise to do various things, including the building of the dwelling, and along toward the bottom of it: "

to provide proper approaches thereto, utilities, and transportation facilities, and procure necessary materials, supplies, articles, equipment, machinery, and to do all things necessary in connection therewith to carry out the purposes of this act.

Acting Chairman HATCH. All right; let's go one more step. We have equipment. How about the housekeepers?

Mr. JOHNSTONE. We have supplies and articles.

Acting Chairman HATCH. Do you think a housekeeper and a maid is an article?

Mr. JOHNSTONE. Wait a minute—no: I don't; I don't think we can say—

Acting Chairman HATCH (interposing). I was just interested in that legal proposition, to see how far this act had been extended.

Mr. JOHNSTONE. I submit that an examination of it will show that it hasn't been extended beyond its purpose. Section 7 of the act authorizes the Administrator—

notwithstanding any other provisions of law, whether relating to the acquisition, handling, or disposal of real or other property by the United States, or to

¹ Alan Johnstone, General Counsel, Federal Works Agency.

² Public Law 137—77th Cong., 1st sess.

other matters, the Administrator, with respect to any property acquired or constructed under the provisions of this act, is authorized by means of Government personnel, selected qualified private agencies, or public agencies (a) to deal with, maintain, operate, administer and insure, (b) to pursue to final collections by way of compromise or otherwise all claims arising therefrom; (c) to rent, lease, exchange, sell for cash or credit, and convey the whole or any part of such property.

It seems to me that under that authority to deal with, to manage and operate, it is perfectly proper for the Administrator to hire, to employ, and to pay whatever management personnel is required to operate these properties.

Acting Chairman HATCH. Possibly you are correct, Mr. Johnstone, in that interpretation of the act; but after all, in the setting up of these dormitories, as has been done, you are really going into the hotel business, are you not?

Mr. JOHNSTONE. I don't know.

Acting Chairman HATCH. Do you think that was the intention of the Congress?

Mr. JOHNSTONE. Well, I don't know about the hotel business. The Congress didn't use the words "hotel business," nor did it indicate that it wanted us to operate hotels. It indicated that it wanted us to build things for occupancy by families, family dwelling units. There was a necessity for single persons. I reached the conclusion that we could permit the occupancy of family dwelling units by single persons to meet a national-defense need. I do not think that there is authority under this act, Senator Hatch, for us to conduct a pure dormitory—that is, as distinguished from a family dwelling unit.

Acting Chairman HATCH. But that is what these dormitories are.

Mr. JOHNSTONE. I don't know; I have seen the one at San Diego. Have you?

Acting Chairman HATCH. No.

Mr. FULTON. Yes.

Mr. JOHNSTONE. The one at San Diego was designed and built so that it may be converted into family dwelling units. As a matter of fact, at the moment it is not a family dwelling unit nor a series of family dwelling units.

Mr. CARMODY. The fact of the matter is, Senator Hatch, that I would have been very much more comfortable if we hadn't gone into the dormitory business.

Acting Chairman HATCH. I wish you hadn't, myself.

Mr. CARMODY. Again, I learn from Business Week that I am risking my reputation in Washington because I have collided with the Coordinator of Housing on these questions.

Acting Chairman HATCH. We are going to hear from him next week.¹

Mr. CARMODY. He will say what he pleases, but for myself, coming before this Congress now for the eighth year for appropriations and to report on my conduct as an Administrator, I would like to be able to say that I have stayed within the strict meaning of the law. I think you know that from my experience in other agencies of Government, and I was uncomfortable about these dormitories. On the other hand, here was terrific pressure to get something done in a defense

¹ See *infra*, pp. 2383-2409, for testimony of Charles F. Palmer, Defense Housing Coordinator, Executive Office of the President.

period, and I don't like to have any feeling that I want to hold up any defense effort, and we haven't done it. I knew about this defense need before we had any housing coordination at all. I have sat in very important meetings of Government for the past 2 years, and I am aware of the need, and we have undertaken to meet it in every reasonable way, and if dormitories are to be supplied, the Congress ought to state it, and provide the funds and the limitations under which they shall be built and managed. I have no objection to them. I have lived in dormitories. I wasn't married until after I was 21 years old, you see, and I found them very helpful, too. They saved me money.

We were accused of being hyper-technical in these things. We have done the best we could.

I think Senator Ball made a point. Perhaps if we had furnished them immediately there would have been earlier occupancy and perhaps no greater violation of the law than there is now, if there be violation.

BOSTON DEFENSE HOUSING PROJECT

MR. FULTON. You were also speaking, Mr. Carmody, of the Boston project. Would you tell us something of that, and that telegram that you have?

MR. CARMODY. Again, I haven't thought about this in a long time, until I knew yesterday that I would be up here today. I am not sure that I have figures, except this telegram, or this exchange of telegrams. I can't give you the dates, but before any decision had been made about this, representatives of workers at the Fore River shipyards came to me and said that they needed housing, and I told them I had nothing to do with determining what houses should be built, or how many, that they would have to go to the Office of the Coordinator, and they said that they had heard that the houses would not be built in the area where they worked and they wanted us to build any houses that were recommended there either in Quincy or North Weymouth or in three or four other places that they mentioned, names with which I am not familiar, but all within short walking distance of the Fore River shipyards.

At that time it was represented to me that before the shipyards expanded their operations they had accommodations—parking accommodations—for some 2,000 cars, but an extension of the yards cut that down to 1,000, so that it was more important that men live in areas from which they could walk to work, rather than drive to work.

But when the recommendation for construction came from the Coordinator, it was for the purchase of a U. S. H. A. slum-clearance project in Boston which was then rapidly nearing completion. First, it seemed to me that it was the wrong place to put a defense housing project to house workers in the Fore River shipyards, that if they wanted to live in Boston it was likely that there were some vacancies in Boston that they could use if they wanted to move in from Worcester or some place else; second, that we were taking out of the market the possibility for better living for some thousand people for whom this project had been planned over a period of 2 years, and denying them their rights under the appropriation of the Congress and under the U. S. H. A. program.

Now, perhaps that was not important, but it seemed to me to be a factor. But the greatest factor was the price, because it was a slum-clearance project, it was necessary to buy land, occupied land, within the city of Boston that was assessed at a high value, even though it was slum-clearance land. They had to buy buildings and tear them down, and the net result is that we paid approximately \$1,000,000 more for that project, for that land, than we could have bought appropriate land for somewhere near the Fore River shipyards, perhaps in or near Quincy. I think perhaps some people in Quincy didn't want a project there at all. I have heard that, and I do know that some people in North Weymouth objected to any defense-housing project there. I learned that from correspondence with people there and from representations made to me by Congressman Wigglesworth.¹

Mr. FULTON. The committee has also had an investigator in those areas, and found a very definite local disinterest in having the housing located there. Have you heard anything concerning real estate owners' opposition, real estate people?

Mr. CARMODY. Only as people who came to my office while this question was being discussed told me about it. I know nothing of my own—I have heard no conversations, and talked to nobody who had conversations about any understandings with real estate people or anything of that sort, only rumors that I think are not worthy of repetition.

Mr. FULTON. In any event, the project itself is 9 miles from the Fore River shipyards.

Mr. CARMODY. On the basis of automobile driving it isn't very far, people tell me, but the Fore River workers have not wanted to live there.

Acting Chairman HATCH. Is it 9 miles, Mr. Carmody?

Mr. FULTON. 8.7 miles into a big city, instead of away from it.

Mr. CARMODY. Well, there is a highway leading down from Boston itself right to Quincy. I have been there a few times, but I don't precisely know what the time is. It seemed to me it took us longer to drive it. It may have been because it was in the winter time, and I had to go to Quincy to make a speech.

During this process I have had this correspondence with Joseph Larkin, who is vice president of the Bethlehem Steel Corporation, whom I have known for many years. He has been in charge of their industrial relations for 25 years, and I know him professionally. We belonged to the same management and employment management groups.

On May 17, 1941, I sent this wire to him:

On November 20, 1940, the President authorized the agency to construct 1,000 homes for defense workers in the Fore River shipyards of the Bethlehem Steel Corporation. We were advised by the Coordinator of Defense Housing that the need for these homes was so urgent that rather than take the time to construct a new project we should purchase a housing project that had been built for slum clearance in South Boston. Despite the fact that this slum-clearance project was on very expensive land and some distance from the plant, we acquiesced in the Coordinator's suggestion in order to cooperate in every way with the national-defense effort. The purchase was consummated, and in

¹ Richard B. Wigglesworth, of Massachusetts.

March the Boston Housing Authority, acting as my agent, delivered to your plant 5,000 registration blanks to be distributed to the workers who might be interested in moving into the new homes. None of these blanks was returned to the Boston Housing Authority.

On April 10, the Authority supplied your plant with 16,000 application blanks, after Mr. Edwin C. Geer, of the Fore River plant, agreed to post bulletins announcing that the homes were available, and to distribute the application blanks among the workers; more than a week passed and no returns were received. Then the Boston Housing Authority, itself, distributed some of the blanks, and received more than 100 applications. Feeling that there must be some difficulty resulting from the manner in which you distributed the blanks, we offered to open a booth across the street from the plant so that the workers might receive information from the project. At the earnest request of Mr. Geer, we postponed that move, and Mr. Geer offered the Boston Housing Authority office space in a building at the plant, and offered to send our applications through the mail. We were told you were unwilling to supply us with a list of your employees, but if we would pay for the clerical help, you would have the envelopes addressed and the applications mailed.

We agreed to this, but were later told that the matter would have to be referred to the home office in Bethlehem, Pa., and we might therefore expect a delay of a month or more.

Such delay seems to us unjustified, and the Boston authority again started distributing application blanks direct to the workers. When this was done, Mr. Houghton called the Housing Authority and said it would be unnecessary after all to take the matter up with the home office, and the applications would be sent out by mail. After some time the applications were mailed to those workers who lived closest to the plant, although it was our understanding that the greatest need for this project was for workers who were being inconvenienced by long trips to and from work.

Approximately 2 months of effort on our part to make these homes available to your workers, and thus to help that part of the national-defense effort on which you are working, and we have received only 400 applications from workers in the Fore River plant. We do not feel we are justified any longer in holding these homes vacant when so many other people in the area also needed better housing. For that reason I have notified the Boston Housing Authority that they may now accept as tenants defense workers in other plants also. I am disappointed, Joe, because, frankly, we went far out of our way to make these homes available to your employees to snap up the defense program at a critical shipbuilding point. I am notifying you of this decision so that you will be informed that any housing difficulties which your workers may be encountering are in no way the fault of the United States Government, because of these special efforts to assist you.

I have this reply from him 5 days later:

Reply to your telegram of May 17 has not been made earlier because I wanted to make a complete personal investigation into the whole situation, which I have done. My findings are as follows: We are in no way responsible for the survey which revealed the supposed need for 1,000 homes for defense workers, nor for the decision of the Coordinator of Defense Housing that the need was so imperative that time could not be taken to construct housing, but necessitated the purchase of an existing shum-clearance project in South Boston.

With reference to the statement that there were delivered to our plant 5,000 registration blanks for men who might be interested in moving to the new homes, the number of registration blanks so delivered was about 500, not 5,000. Blanks were received at the plant only after repeated inquiry by our plant people for information from the Boston Housing Authority.

There, you see, is a squabble between those two.

Some of these 500 application blanks were distributed to our employees, and others posted on our plant bulletin boards. Early in February 1941 there were delivered to us about 12,000 questionnaires, which questionnaires we mailed to every individual employee on our pay roll at his home address. These were mailed in the presence of a representative of the Boston Housing Authority. The answers to these questions were to be mailed directly to Sumner K. Wiley, director, region I, United States Housing Authority.

In April 1941, 16,000 application blanks were received from the Boston Housing Authority. Some of these application blanks were posted upon plant bulletin boards, and between April 29 and May 6 others were mailed to each and every employee of our Fore River yard in the presence of a representative of the Boston Housing Authority. In addition, office space in the yard was provided by us to a representative of the Boston Housing Authority who was stationed there for 3 weeks, and was given every possible assistance by our people. Replies to the application blanks were requested to be made direct to the Boston Housing Authority in post-office boxes.

My investigation shows a continuing record of cooperation on the part of our plant people with your representatives. I am very appreciative of the interest you have personally taken with respect to this housing question.

With kindest regards,

JOE LARKIN.

That is his reply to my inquiry as to why we weren't getting people in those houses. Does anybody on my staff know how many Fore River shipyard workers are occupying those units? It will be put in the record.

Acting Chairman HATCH. Do you have it approximately?

Mr. ADAMS.¹ The total occupancy, 873 units have been available since March 27. There are now 630 occupied.

Mr. FULTON. The committee, I think, has been informed that as of August 25, about 5 months after the project was acquired, only 400 units had then been occupied, and of those, only 225 were Fore River shipyard occupants, indicating that only a little over half of the people going in there were from the Fore River shipyards.

Mr. ADAMS. We can put the current figure in the record. That is a good indication.²

Acting Chairman HATCH. That is substantially correct. That is the trend.

Mr. CARMODY. No real estate management corporation could have worked harder to get these building units occupied than we have worked. I can assure you of that. We have worked assiduously ourselves and through the Boston Housing Authority, that is accustomed to selecting tenants to put into housing projects. They have no interest, of course, beyond that of our agents as managers, but we have an interest, partly because of the investment and partly because we don't want to see the total program discredited, and we don't want to participate in its discrediting.

Acting Chairman HATCH. Do you now confine the tenants to defense workers?

Mr. CARMODY. We must, under the law; defense, Army, and Navy people.

Senator BALL. Does the price you paid for that represent the total cost to the U. S. H. A.?

Mr. CARMODY. Yes. As I recall it now, after careful examination of all of the documents, which incidentally were reviewed by other agencies of the Government, the Bureau of the Budget suggested that they had heard some talk about the price of land and so on and so forth, and they, or one of the officials, an important one, wanted to see the

¹ Foster Adams, Director of Research and Statistics, Federal Works Agency.

² Mr. Carmody subsequently informed the committee that out of 694 occupants as of October 4, 1941, only 234 were from the Fore River shipyards, 378 were from the Boston Navy Yard, 25 were Army people, 41 were from the Watertown Arsenal, and 16 are classified as miscellaneous.

documents. I gave him the whole file, and when I went to get it he made no comment whatsoever.

Purchase and sale: Under this document the Boston Housing Authority agrees to sell the project to the Federal Works Administrator for an amount equal to the development of the project to the Boston Housing Authority, but not to exceed the upset price of \$4,860,000.

The total, and so forth, was reviewed by the lawyers of the U. S. H. A.

Senator BALL. That is about \$5,800 per unit.

Mr. CARMODY. \$5.563 per unit, an outrageously high price for the kind of building that we are furnishing to other defense workers.

Senator BALL. Did you increase your rents there to cover the increased cost, or are you simply writing that off?

Mr. CARMODY. The rents are standard rents. We can't get an economical rent there any more than we could if we paid that much for a similar project near the plant.

Senator BALL. In other words, you are charging the same rent that you would if you had built more economically.

Mr. CARMODY. Yes.

Senator BALL. So that your agency, in the operating, is taking a loss?

Mr. CARMODY. That is right, but it was done because this seemed to be, at the time, the only way in which the need could be satisfied. That was the representation made to us.

Senator BALL. There wasn't a possibility that the U. S. H. A. were trying to unload something?

Mr. CARMODY. No; as a matter of fact, neither the U. S. H. A. nor the Boston Housing Authority wished, at the beginning, to sell this. I am sure the U. S. H. A. did not, because I talked not only to Mr. Straus about it but to some of his associates who were also interested in this project.

The suggestion that it be used did not come from the U. S. H. A. nor from the Federal Works Agency.

Senator BALL. I see. What are the rents you charge on these units?

Dr. FOREMAN. The rental basis is approximately 20 percent of income. It is to be changed.

Mr. CARMODY. It is my understanding that the most recent rental schedule that has been worked out, and generally approved now by the Coordinator's Office and by other agencies after a good deal of review, will be \$27.50 for a one-bedroom dwelling, \$30 for a two-bedroom dwelling, and \$32.50 for a three-bedroom dwelling. There will be some slight variations in that, and I should like very much to have Dr. Foreman or one of his management supervisors interpret these variations, because they have gone into the detailed discussions with the Army and with the Navy, and with other agencies of Government, with whom we are undertaking to reconcile our rental schedules.

In the beginning we had the impression from the wording of the Act, which says that the rents shall bear a fair relationship to the earnings, that we should adopt the more or almost universal practice of getting somewhere around 20 percent of the income as rent. I think 20 percent was the maximum. It ranged from there down to 17 percent. But 20 percent was the scale that was applied pretty generally.

Well, we found complications. We found that when the rent was based on income that two people having the same income would not have the same type or character of building. One would be paying more for a one-room dwelling than another, and so on and so forth, and out of all of that experience, and one gets it, I suppose, by experience—it is difficult to anticipate all of these things; but out of experience gathered by representatives of the Coordinator's office, representatives of the Bureau of the Budget who made some inquiries into how these rent schedules were being received, out of experience of our own managers—and there is a manager on each and every one of these projects—we have again, working with the Army and the Navy and all of the other agencies, evolved this rental policy which seems to be more satisfactory than any other we have had.

Now, perhaps after 6 months' experience, bugs will be found in that, and adjustments will have to be made.

Senator BALL. How will you come out on that financially? Say these homes are occupied for 5 years, and then the need for them disappears. How much of the Government's investment will come out in that time?

Mr. CARMODY. Of course, it is difficult to say with any very great accuracy what it will be; but I think, in general, that we may expect that we are subsidizing rents in some cases. I doubt whether we will get the full economic rent everywhere on every project. We certainly won't get the cost of the project back in 5 years. We can't amortize it in 5 years. I think as we develop these plans, if there is stability in the defense program over a certain period, then we will recover more than I thought in the beginning we could recover, frankly.

Senator BALL. Your average rent is about \$360 a year. What is your average over-all cost for one of these?

Mr. CARMODY. The average over-all cost is about \$4,000.

Senator BALL. About \$4,000?

Mr. CARMODY. Yes.

Senator BALL. You should be getting about \$40 more a year, to be economical.

Mr. CARMODY. That is right.

Now, where we have installed, or after its installation purchased, a utility distribution system, for instance, such as electric power, lights, or a water system, we are undertaking to amortize that purchase in 5 years in the rates. In no case are we offering rates less than those that are customary in the communities, so we don't immediately get into competition with private enterprise, but we are hoping to amortize those in 5 years, and then the rates can be what they need to be.

Mr. Adams reminds me of the philosophical background of this, that you will appreciate when I say it is akin in some fashion to R. E. A. Defense public housing is recommended only where private enterprise isn't doing it. If it is to be profitable, private enterprise might obviously do it, just as in the case of R. E. A. You will remember at the time the R. E. A. program was set up the utilities said they had covered the economic ground, they couldn't go any further and invest their money to build lines out into the rural areas, they couldn't justify the investment to their stockholders. R. E. A., therefore, started out with two strikes on it right away. Everybody knew that only the thin territory was left, and we had to struggle with that

problem throughout my administration, and they will struggle with it throughout the life of the enterprise.

Mr. FULTON. With respect to that Boston project, though, it means that these workers have to get 9 miles from the shipping plant to the slum-clearance project, and in the main that would be by private automobile.

Mr. CARMODY. Either that, or I think there is public transportation. Again, I haven't made that trip, but it seems to me that an elevated passes this project, or within a block of this project, and that perhaps through a single transfer to a bus they could get to the yards if they wanted to without too great inconvenience. On the whole, and knowing the complexities of transportation in any metropolitan center like Boston, I think it is no worse on that score than many others.

Mr. FULTON. Do you know of any metropolitan areas where men go 9 miles into the metropolitan area on the way from their work, as distinct from having a cheap automobile and going out from the area in the other direction?

Mr. CARMODY. If they go out they have got to get back in.

Mr. FULTON. These men haven't anything to do with Boston. They don't need to go to Boston normally at all, and my point was, isn't it quite obvious that on a project of that character men wouldn't be apt to drive into a crowded city to live in the middle of a slum area where they probably couldn't park their cars safely or garage them cheaply.

Mr. CARMODY. I think the best answer to that, Mr. Fulton, is that they haven't done it. Again, it is a question of learning from experience when you can't anticipate.

Mr. FULTON. Couldn't you anticipate that situation?

Mr. CARMODY. Frankly, I said at the time that I thought it was a preposterous suggestion, and I wouldn't have done it if it hadn't been for the kind of pressure that came in. I don't yet see the business sense of doing what we did, and I didn't see it then. I think it was a mistake; I think I am the only person that has publicly declared it to be a mistake, except the workers themselves, in whose interest it was supposed to be done. But, on the other hand, I have said many times I know of no administrator handling these large projects, and numerous ones, either coordinator or administrator, who can get through a program without making mistakes. It just doesn't seem possible to do it.

USE OF PREFABRICATED HOUSES IN DEFENSE CONSTRUCTION

Mr. FULTON. Now, with respect to another matter, this question of demountable housing, I note that there are a number of projects on which demountable housing has been recommended, and on which the housing actually built is of permanent construction. Will you tell us something of what the demountable housing is like?

Mr. CARMODY. Now, about demountable housing, I don't wonder that Senator Hatch asks what is demountable housing.

Acting Chairman HATCH. I did ask that question. We're used to horses out in the West.

Mr. CARMODY. That's right; that's right; and you are accustomed to building for permanency. Well, this demountable-housing business is a curious animal. For many years efforts have been made to pre-

fabricate, not only to prefabricate houses but to change the building industry from its conventional form, developed over a period of thousands of years, to a form whereby a good deal of fabricating would be done in the shop and delivered to the site. A great deal of progress has been made in that direction in small ways and to some extent in large ways. Certain features of buildings—millwork, doors, sash—once made on the job, are prefabricated. You are aware of that whole story.

Thirty years ago a young man whom I worked with in the steel business lost all of his savings and the savings of his family and all of his friends who would help him in an attempt to establish the prefabricated housing business on a scale that has now been achieved by only one or two or three of the real leaders after investing literally millions of dollars in the enterprise.

Very early in this program we began to hear about the wisdom of using the prefabricators, and the prefabricators came to Washington to present their story. In those days the only agency that was doing this construction was the Public Buildings Administration. They set up a separate unit to study prefabrication. The man who headed that unit, a thoroughly competent engineer, a fine man, interviewed all of the prefabricators who came in, got their story, got their price quotations, and so on and so forth, and after weeks and weeks we made no contracts with any of them.

Then a good many people—some of them in the prefabricated business, some of them interested in one way or another in it, and some of them just concerned about the whole housing program—represented to me that we just weren't getting anywhere, and wouldn't get anywhere until we set up a separate division to study this whole business and to do something about it.

I did that. I borrowed the man who had made these studies from P. B. A., moved him nearer to my office, brought in some other people, and we set up a unit.

Then I sent for all of the responsible prefabricators who had made representations to us that they could build. They came. We spent several hours in my office. Each of them was given an opportunity to make his statement and tell his story, I asked questions and made comments along with other members of my staff.

I discovered that in general none of them had ever set up his business in such a fashion as to give us a turnkey job. In other words, what they wanted us to do was to buy parts of houses from them and then make arrangements with some contractor to put in the foundation, put in the utilities, and so forth and so on. The reason for that, which was commonly known and brought out again clearly in those meetings, was that the building-trades unions objected to erecting houses part of which had been prefabricated someplace else. They preferred to have the carpenters do all the carpenter work and the other tradesmen do the work that normally, you see, comes along on prefabricated houses. That is No. 1.

No. 2: With respect to demountability, about which a great deal had been said, I found out that in that group there was only one manufacturer, out of some 30, that had ever actually erected homes, had them lived in, torn them down, rebuilt them someplace else, and had them lived in again. He was a contractor from West Virginia who had sold some of his houses, or whose houses had been sold to a mining company after the other war. None of the others had done it.

Within 2 or 3 days after that meeting one of the leading prefabricators, a man who has put a great deal of money into it and energy and brains, did demount a house that he built out here on the edge of the District and move it around a little bit and bring it to another site and reerect it, with a very, very large salvage, practically no waste in it at all, but nobody had lived in it before it was torn down nor afterward, so that whole business of the practicability of demountability had not been tested.

I could understand the desire of the men who had developed the prefabricating business to have the Government give them large orders. They talked about orders for 5,000 houses; if we would give them 5,000, they could do so and so and so and so. But we did go into the demountability business. Demountable houses are recommended for erection in areas where there is doubt that they will be needed after the emergency is over. The theory is that they can be lived in usefully there, and then at the end of the period demounted, taken away, erected somewhere else, perhaps in rural areas where better housing is needed, or perhaps in new communities. I think no one knows quite where. None of us can see far enough into the future to say. But they do have, to the extent that we can build it into them, that flexibility.

Now, we are actually engaged in doing that work. As a result of this a special section building on the studies that P. B. A. made, the Division of Defense Housing has actually let a large number of contracts. In Vallejo, Calif., we are now building 1,692 units that we hope—and according to the plans they will—do have real demountability. In Groton, Conn., 200; in La Porte, Ind., 200; in Fort Leonard Wood, Mo., 500; in Manitowoc, Wis., 400; in San Diego, Calif., 1,000; in Jackson, Tenn., 200 and some.

It has been said by one of my dear friends in Congress, according to the newspapers, that this thousand in San Diego may blow away before we get them done. The builder denies it. I haven't seen them, so I don't know. No others have blown away yet.

And so on, right down the line—Port Clinton, Indianhead, San Diego again with 500; Walkerton, Ind.—a small town near one of these plants—Knox, Ind.; Fort Eustis—a total of 7,982. This does not include 50 prefabricated permanent units at Benicia, Calif.

That is the story of demountable houses.

With respect to prefabrication, I think this might be said for the record, that most contractors now have, in cooperation with the labor unions and the people they deal with, moved a good deal of the fabrication into sheds, so that they themselves frequently on the job prefabricate a great many parts that go into the buildings, instead of doing all of the cutting immediately on the house itself.

I am reminded that we can't move water mains and sewers and the roads and streets. We can't move those. They will be there.

I was in the process of getting some estimates on what the salvage value would be, separating the dwelling units from all of the utilities, because the land itself has cost money and it will be rather useless for building, for house building, because if it is useful we ought not to tear down the houses, and it won't be very good for farming with foundations all over it. It is a complex problem.

Mr. FULTON. There has been a difference, I think, as to whether you ought to buy it or lease the land with an option to buy. Would you express an opinion on that?

Mr. CARMODY. Well, in general I dare say that the ultimate cost would be about the same either way. I can't imagine a man wanting to lease a piece of property for less than it would cost him to put it back into condition, or the condition in which it was originally, or a condition in which he could sell it again, and by the time we got through with that I think it probably would cost us about as much as it cost us to own the land.

Mr. FULTON. And that is why you have proceeded to purchase the land instead of following the Coordinator's suggestion of leasing with an option?

Mr. CARMODY. Yes. There may be cases in which it can be demonstrated that we could lease for less than the actual purchase cost. In Torrey Pines we did lease. That was property owned by the city, as I remember it, and we leased it from the city through a very favorable arrangement. They were anxious to have this done.

Dr. FOREMAN. Wherever possible we put them on Army bases so we do not have to buy land.

Mr. CARMODY. Yes.

Mr. FULTON. With respect to demountability, is the siding put on in such a way that it is demountable?

Mr. CARMODY. This has actually happened. In order that they might make a practical study of this within easy reach of Washington, the Public Buildings Administration in the early days of this program staked out the Indian Head project as a guinea pig, and I think they let contracts to 11 different prefabricators or contractors who built demountable houses. They did that partly to see what the differences were; partly, of course, as a laboratory test of what could be done. And in every case, as these houses are finished, they are taking one down, putting it on a truck and driving it about 40 miles, I think, and bringing it back and erecting it either on that foundation or on an equivalent foundation. I know the story personally of one such movement. Others may have taken place since that. I would like to ask Mr. Newman, or a representative of P. B. A. who saw that demonstration, what happened.

Mr. MELICK.¹ I did not see it.

Dr. FOREMAN. Three have so far been taken down and moved around and brought back.

Mr. CARMODY. It was my understanding that the first one came back in good shape and that the salvage value there was high, and it looked as if the demountable features were practical.

Mr. FULTON. Did you figure the cost of taking it down?

Mr. CARMODY. The cost and time were figured for each of them. I don't have that. They have the number of man-hours required to take it down and the number of man-hours required to put it back, and I shall ask Mr. Newman either to write out a statement or to come here and make a statement about the house that he personally stayed with from the time they started to take it down to the time they put it back.²

¹ Neal Melick, Supervising Engineer, Public Buildings Administration, Federal Works Agency.

² Mr. Carmody subsequently informed the committee that demounting, moving, and re-erecting these houses, for each house, cost about \$500 and took from 1 to 2 days.

Mr. FULTON. Is it true that some of these demountable houses have actually had siding nailed across the partitions that were supposed to be demountable, so it would have to be taken off entirely before you could use it?

Dr. FOREMAN. They usually build them in sections, so the siding would appear to be perfectly natural but the whole side comes down. In the T. V. A. they are cellular.

Mr. CARMODY. Yes.

There is one other demountable plan. Incidentally, this plan for what they call the cellular type of house was developed by a young man who is now, and has for 2 or 3 years, been in U. S. H. A., but it was developed and given to the T. V. A. in 1934, and like many other good plans it rested there without any definite action for some time, and finally was brought out, and this is what it is: In a shop with appropriate equipment a room is built, the equivalent of a complete room. They build one, two, three, four, five, six, or seven such rooms, and these rooms are then moved by truck to a site, and there assembled with pins in such fashion that you cannot tell the assembly has been made. This plan has been used by T. V. A. and we actually got them to build some of these demountable houses by that process. I think the cost is approximately what the cost of similar demountable houses would be, and that is a little bit higher, as a rule, than conventional building. It may come down.

But these cellular houses at T. V. A. are very, very good and very interesting. They say that in that area it is economic to move a cell about 70 miles. Beyond that they say it isn't economic to do it, and they might better move the shop out.

Mr. FULTON. That would involve double walls, of course, on that theory, and I suppose roof problems that would not be very easily solved.

Mr. CARMODY. But there is no difficulty, because each room is a separate thing in itself. It has an opening on one side to attach to a wall of another room. Another wall can be put on it, that is right.

Mr. FULTON. I don't think we would have time to get into the question of the average cost of housing in general, particularly under the Lanham Act, but that can be done on Tuesday.

Acting Chairman HATCH. I think it is about time now that we ought to be taking a recess. It will take quite some time to go into that cost.

Senator Ball, have you any questions?

Senator BALL. No.

Acting Chairman HATCH. Now would be a good place to quit for today, and the committee will stand in recess until 10:30 Tuesday morning, if you will be back then.

(Whereupon, at 12:40 p. m., the hearing was adjourned, to reconvene at 10:30 a. m. Tuesday, October 7, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

TUESDAY, OCTOBER 7, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The Committee met at 10:35 a. m. pursuant to adjournment on Friday, October 3, 1941, in room 318, Senate Office Building, Senator Carl Hatch acting chairman.

Present: Senators Carl Hatch (acting chairman) and Joseph H. Ball.

Present also: Hugh A. Fulton, chief counsel, and Charles P. Clark, associate chief counsel.

Acting Chairman HATCH. The committee will come to order. Is Mr. Currier present? Would you take the stand?

Mr. Currier, do you solemnly swear the testimony you shall give in the matter now in hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CURRIER. I do.

TESTIMONY OF PATRICK J. CURRIER, CURRIER LUMBER CO., DETROIT, MICH.

CURRIER LUMBER CO.—ORGANIZATION AND CONSTRUCTION EXPERIENCE

Mr. FULTON. Mr. Currier, I understand that you put in a bid to erect 300 housing units in Wayne, Mich.; is that true?

Mr. CURRIER. That is true.

Mr. FULTON. And what was the amount of your bid?

Mr. CURRIER. Nine hundred and seventy-nine, basic.

Mr. FULTON. And I understand that it was found that your bid was low by more than \$400,000?

Mr. CURRIER. That is correct.

Mr. FULTON. Or around \$1,300 a house.

Mr. CURRIER. That is correct.

Mr. FULTON. There has been some question as to your ability to perform. Would you tell us something of your organization and the assets that you have?

Mr. CURRIER. The company that proposed these houses is the Currier Lumber Co. and their subsidiaries. It is an individual concern and I am the sole owner. Our net worth is approximately three million or over. Our liquid capital is approximately a million and a quarter to a million and a half. We did not have to borrow any

money to perform this job at all. I think that would establish our financial ability.

We have an organization of approximately 1,500 men. We have more than 100 plumbers, more than 50 electricians, painters, all other trades that could be used in the construction of small houses. We have concentrated our operations on small houses only. We have devoted very little of our time to heavy construction. We follow the policy of doing all the work by our own organization and employ no subcontracting methods whatever. We find that this is important from the standpoint of economics, and it also eliminates the possibility of any stoppage of the work while it is in progress. We believe that that method of operating is the most practical because it leaves the employer distinctly responsible for all the labor at the job at all times. He is in position where he works 52 weeks a year, as our organization has worked for 10 years—52 weeks a year without one break. We have been able to carry our set-up because we employed all the men ourselves and didn't rely on subcontractors to do it.

Mr. FULTON. That is very unusual in housing to work 52 weeks a year, isn't it?

Mr. CURRIER. Particularly in the North where there are snow and frost in the winter months.

Senator BALL. You have been in the construction business for 10 years?

Mr. CURRIER. I have been in the building-material business. My major work is in building material. We handle all building material—from lumber to plumbing and heating, and all. We take a job of plumbing completely; we don't sell the material on plumbing and heating; we take it completely. On all other things in the job, we have material only. No; I have forgotten—we put the linoleum in complete; we put the tinning in complete, as a matter of fact, and the plumbing and heating. In mason work we supply all the masonry. We don't manufacture our cement, we buy cement and we buy plaster, but we supply everything in the line of material that goes into a construction unit, and that is our major business. Our construction operations we have carried on for 6 years. But we have always had our hand in construction, often to give us an idea of value and to study technological improvements as we went along.

Senator BALL. You acted as a subcontractor on construction up to 6 years ago, doing the plumbing and electrical, and that sort of thing?

Mr. CURRIER. We never handled the plumbing and electrical up to that time. We handled lumber up to that time. These other things that we have put into our set-up have been to develop the theory we were on, that to get mass housing done at the proper figure you had to adopt the principle of industrial production in order to ever get a low-cost house for the American people. We felt that we could accomplish it and we have accomplished it.

We feel also that our bid was low in this instance, but it isn't hard for us to envision the time when a house with five rooms, with full basement and furnace and all modern equipment, can be built for \$2,500 if no restriction is placed on technical improvements.

Senator BALL. In the 6 years that you have been doing complete construction work, what has been your average annual volume?

Mr. CURRIER. I think we started—I will speak about material first. I will speak about them both together. I would say in 6 years from three million to between twelve and fourteen million dollars today, in that neighborhood. I haven't got the details in front of me, but between twelve and fourteen million.

Senator BALL. That is the total for the 6 years?

Mr. CURRIER. No; 1 year; that is this year.

Senator BALL. Is that mostly small houses?

Mr. CURRIER. It would be practically all small houses, because we have in the city of Detroit associated ourselves with the small-house movement, with the idea of getting a workingman's house for \$30 a month or less; and we have built many houses this year practically on the conventional basis that would bring the results down to \$30, having the saving alone instituted by our method of subcontracting.

Mr. FULTON. Are you building any houses directly this year?

Mr. CURRIER. Yes; we have been building right along this year.

Mr. FULTON. About how many?

Mr. CURRIER. So far this year, between direct and associate direct, from six to nine hundred—940 it would be all together, including the work that we are working with partners on. We work some with partners and some direct.

Mr. FULTON. Then you have performed this year, or will perform in the construction line direct building that would amount to three times as much as this contract?

Mr. CURRIER. Oh, yes. This contract—this is a small house, a 24 by 30, and the contract itself would represent less than a month of our volume at any time. It would help our employees, however, because the Detroit industries, due to the readjustment on account of defense, have been taking a lot of men out of the automobile plants, and naturally there has been a severe loss of confidence and reduction in the building field, and this contract would be a great help for us to help to carry on our traditional policy, I might say, since it has been 10 years, of carrying the work the year around. But we propose to continue in this type of construction for building in Detroit and elsewhere.

Senator BALL. Are you building these houses under contract or on your own for sale?

Mr. CURRIER. The ones I have built are practically all for sale. You can easily understand why I would do that. I have a set-up with my organization that I carry them 52 weeks a year, and I have to generate my own steam to keep houses going when I want them rather than when somebody else wants them. I may have to build a house and hold it for 4 months to carry through the period when there isn't much buying; and sometimes I have a good many houses that are not sold because of my policy of working along with my organization. At the same time, that is the reason I can effect tremendous savings. There is nothing about my bid on this particular project. I feel I will be within that area all the time.

Senator BALL. How do you pay your men, an annual wage?

Mr. CURRIER. No; we pay them so much an hour, and the United Construction Workers organization—our men are entirely unionized on a union-shop contract with the C. I. O. Detroit is essentially a C. I. O. town.

Senator BALL. In the building trades?

Mr. CURRIER. No; generally. I am speaking of Detroit, not the building trades. The building trades are not over 30 percent organized in Detroit. Seventy percent of the Detroit building trades are non-union. Our employees selected the C. I. O. as their bargaining agent without any advice, except the thought that if they were going to continue working in a broad field and they decided to join a labor organization, they should have one within a broad field.

Senator BALL. When did they choose the C. I. O.?

Mr. CURRIER. A little over a month ago.

Senator BALL. In an election?

Mr. CURRIER. No election, because we never had any union members in our plant up to a month ago, of either kind; of any kind.

Senator BALL. How did it happen they suddenly wanted it?

Mr. CURRIER. Because work started to go to pieces. Work started to go down. Our organization are quite intelligent men, I think. They have had the best labor set-up that anybody in our city, I think, has had. But the fact remained when they saw work going down and a wider field was necessary, they determined, themselves, they would join a labor organization, and they did. We never had any members of any union before that.

Mr. FULTON. You spoke of the possibility of building a house of this type for \$2,500.

Mr. CURRIER. I think it is positively certain that it is part of the future. I belong to an industry, gentlemen, that is the most backward, that is the most retrogressive, that has less vision than any industry, any major industry in the United States. The building trades can't point with pride to anything that they have really accomplished in the last 30 or 40 years, unless it is probably an improvement in architecture. We have not reduced our volume. We have not taken advantage of technological improvements or use of machinery, because, as I see it now, particularly now—I always realized it—we were more or less controlled by tradition and old practice and craft methods, and a continuation, a perpetuation of the guild systems. We never realized generally that the building industry could be done on an industrialized basis to lower its cost and increase the standard of living by lowering its cost.

The building industry—and I am speaking just as much about the lumber, which is my first love; the lumber as much as anything else has had less improvement than anything I could think of because we always stuck to the old traditional methods. We were afraid to upset tradition, and there we were. It is only within the last few years that we have looked forward to a time when housing can stand beside the automobile industry or any other industry to show that we can improve as the intelligence of the human race goes along, too.

We belong to a town that developed, I think, industrial assembly line production more than anywhere else on earth. Naturally, we imbibed some of those ideas and absorbed some of those ideas of production, and we are using them now and have always worked with the idea of getting our large sections of any building on a production line to reduce its cost. That is the only way to accomplish year-round employment. We had to be in position to stock a year ahead, to make use of standard articles when available. We knew we couldn't build many houses in the months of January or Feb-

ruary, so we had to manufacture standard items we could use in the month of April.

I am not going to take the committee's time, unless you ask for it, to go into technological developments. We are the first ones in the United States that ever conceived the idea of producing the wooden window with the weather strip and glass and all complete and put it in the opening, that is all. We are selling this window in Detroit for \$5.65 with the glass, the frame, all cut right to size, no fitting, and the weather strip on for \$5.65, whereas in the city of Cleveland, I believe, it is selling for around \$14. In Toledo, only 60 miles from us. I don't think you can get that window under 10 or 12. We never did sell it out of the State in recent times, although other companies have adopted the same patent, and we didn't object to it. If you get production on a patent, it is all right, but we never argued about the patent. We couldn't sell any of these in Cleveland.

Mr. FULTON. Why not?

Mr. CURRIER. Because the craft unions took the stand it wasn't the shop's business to put glass in the window or put weather strip in. I can put glass in the window, including the cost of glass, and a man can make \$50 a week at 40 hours putting in glass at 3 cents a light. The glass costs 21 cents at the present commodity value; that is 42, and 6 is 48 cents. Setting up the sash costs 4 cents. I can put the glass in complete for 52 cents.

I defy a craftsman to put pieces of glass on his shoulders, with some putty in a little bucket, and go up the ladder with his putty knife and do it under \$2.50; and yet they were taking away the advantage and the value of the economy to the public because Mr. Craftsman demanded his right to walk up a ladder and put it in, in a second-floor window, with his putty on his back; and he may fall off and break his glass. In the shop we don't have any breakage; we don't have any loss of putty. The oil doesn't get out of it because it stays in the barrel and the putty is kept "muddled" up. Putty gets bad when it is carried out in the air for any length of time.

CURRIER LUMBER CO.—LABOR RELATIONS

Senator BALL. What do you pay your mechanics?

Mr. CURRIER. What do you mean? We pay our mechanics the same as the standard, the same and more than the A. F. of L. rate. Our men in the shop are on industrial production and are paid comparative to men in Detroit. When the C. I. O. contract was applied to our employees, they examined all the wage rates and so on, and were enabled to suggest any change in our rates because they would knock us too far out of comparison with our competition. We claim we are 20 percent higher in wage rates than our competition, and we propose to remain there.

Senator BALL. You mean what, on an annual basis or hourly basis?

Mr. CURRIER. On an hourly basis.

Senator BALL. What do you pay them, \$1.25?

Mr. CURRIER. Carpenters we pay \$1.40 and \$1.25, but we use very few carpenters in the field. You must remember with the cost of a job at \$3,265—in what we quoted this job for, \$415.60 is the amount that is applied for money expenditure in the field because we are an

industrialized set-up. I have the figures before me, and it shows \$415.60 in a \$3,265 house.

Senator BALL. And you pay the carpenters \$1.40 in the field?

Mr. CURRIER. \$1.25 to \$1.40. We pay the standard rate. Our rates are in the contract. There isn't any question about rates on the contract. I am more or less discussing the philosophy of the general problem. But in the contract we have in mind, those rates are all established by the United States Government, and we are above those rates that are established by the United States Government. We propose to leave them above it.

Senator BALL. For construction?

Mr. CURRIER. For construction. It is in the contract. We didn't have to advance our rates to conform with the Government contract. We were already above it.

Senator BALL. When you signed this contract a month ago, did it involve any wage increases for your employees?

Mr. CURRIER. Some, but very little. They didn't amount to over 1 percent.

Senator BALL. You said the building industry in Detroit is about 30 percent organized?

Mr. CURRIER. Thirty percent organized; that is right.

Senator BALL. What is the part that is organized; A. F. of L.?

Mr. CURRIER. A. F. of L. and C. I. O., but predominantly A. F. of L. No labor union is popular in the building trades in Detroit. In Detroit for as long as it has been a city the building trades have been nonunion. It is a big, unorganized field, and the A. F. of L. only in the last couple of years have even arrived at what they have now, and solely because of tremendous campaigns.

Senator BALL. Did the A. F. of L. ever try to organize your plant?

Mr. CURRIER. Yes; they tried to organize every plant in Detroit, and very, very belligerently, I will say, too. I think one reason, one outstanding reason for the failure of our men to consider the A. F. of L. when they decided on a bargaining agent was the method the A. F. of L. adopted in attempting to organize. Only 6 or 7 months ago they attempted to organize our plant. Two years ago they attempted to organize our plant. Two or three years ago the C. I. O. attempted to organize our plant. All cases were ineffective for the reason that our men were already getting more than what they were offering, and because we had every facility that would improve our relations—labor relations—that we could have adopted. The men had been with us for years, they had never been out of a job, and it was pretty hard to induce them to join any organization.

However, in the early part of the year, I think it was the 1st of May, the A. F. of L. put on a terrific campaign, and I had 30 of my men in the hospital, beaten, at one time. I have had the disagreeable feeling of seeing 10 of my men unconscious at one time, trying to bring them to life at one time, as the result of that campaign, without one man in our organization belonging to any union. And I believe that those conditions and those facts played a very large part in our men's thinking when they selected the C. I. O. as their bargaining agent.

The C. I. O. campaign and effort to organize us 2 or 3 years ago—I think it was 3, I am not sure—was very much a mass effort, too. We have seen as high as five to ten thousand men massed in front of our

gates to prevent our men from going in. The C. I. O. had practically no members, either, but they conducted their strike in such a manner—they never beat our men up, they hooted and made lots of racket, and weren't very gentlemanly in their remarks, but they didn't beat our men, and for that reason they did have a certain feeling toward them that they did not have for the A. F. of L., and I believe that explains the reason why they are a C. I. O. organization.

I have seen our men beaten by mobs that were terrific; you men wouldn't think it could happen in a civilized country. And I was always there. I can give evidence, because I was there personally. I rode in on the first truck. I saw them throw bricks, and I got some of them. I stood with my men. We could not be intimidated. We were ready to recognize any union the men wanted to join, and when they got ready to join a union they selected one. I don't think the labor union is an issue in this.

Senator BALL. It seems to be.

Mr. CURRIER. As a businessman. I come here with the low bid, gentlemen. I have every means of producing, to save the American public more than \$400,000, and if there is a labor issue I didn't bring it here. I know nothing—I have seen no labor issue whatsoever. I have the names to submit, the number of employees I have. I need to hire no men whatever for this little job, and I have every mechanic I need to pursue it. I have the money. I have all the material on hand. There isn't any material I haven't got on hand to complete this job, gentlemen.

Senator BALL. How did your men choose the C. I. O.?

Mr. CURRIER. They chose the C. I. O. in a group. They already had an organization among themselves, not a labor organization, but we have kept close together with debates and football games and picnics and dances. We have a Federal Credit Union where our men have \$100,000 of their own money. We have never had a man borrow money from a scalper, or borrow to pay for his automobile except from his own credit union. They had \$5 a day that they have supplied through their own set-up; anybody who is sick always had \$5 a day even though he drew other money for getting hurt. Sometimes our men drew more money when they were sick than when they worked.

We haven't got a man that needs a home. They always got their homes at less cost than the United States Government is paying for this \$3,265 house. They always got their homes at a cost that was low.

We believed in social progress. We believed in a high standard of living for the men that were making it possible for us to achieve the success we have achieved, and we ask for an investigation to prove whether or not my statements are correct, if there should be any doubt about it. We know where we stand on it.

There is nothing mesmeric about it. We didn't mesmerize the men when the union found it very difficult to organize them, because they had all that a small industry could afford to pay them. You must remember it was a one-man industry at the same time, which would make possible many things that couldn't be done in a larger corporation. We have every social benefit that we could conceive of, and they have done it themselves. That is why they were together as a group, and they are mostly intelligent, and they arrived at this. I would say they are 95 percent intelligent, maybe 99; I hope 100 percent intelligent.

Senator BALL. Did you argue with them about a closed-shop contract?

Mr. CURRIER. I never argued with them. I made a statement that was published in the Detroit papers, wherein I stated the men working for us could belong to any union, as long as it was a legal organization, and our position has never changed. Any time our men wanted to join a union they were privileged to do it, but no union could give them any more, or as much as they already had. I am not familiar with the opinion of the C. I. O., but I will wager you that the C. I. O. would testify, if they were asked, that even the great C. I. O. were not able to offer anything to our employees, and they have many things the C. I. O. could never offer. I think they would say that if they were asked, because we had a social set-up.

Senator BALL. When your men chose the C. I. O., this spring, did they choose it 100 percent?

Mr. CURRIER. No; practically. They eventually took it 100 percent. They started off with a large majority and then before they got their charter complete, already they were 100 percent. Our office organization, everything in the institution went for the policy, because this outfit always worked as a unit with a good understanding, with an understanding of what we were trying to achieve.

Senator BALL. Then you had been ready, you say, for 2 years to sign a contract any time they were organized?

Mr. CURRIER. Any time in their judgment they wanted a bargaining agent they were always privileged to do so. I have public statements and letters to Congressmen and everything else to support it. There was no reason why it shouldn't be done. The C. I. O., for instance, is no load to me. It doesn't disturb the men and it doesn't disturb the management in the least, because they are not offering, they are not giving the men any more. The men have as much as they ever had, but in addition to that, they are dignified by now belonging to a national labor union. They were looked upon—

Senator BALL (interposing). Have you had any trouble with the A. F. of L. since you signed the C. I. O. contract?

Mr. CURRIER. No. In fact, I have been kept 2 weeks in Washington demanding my rights, and I haven't been able to be there, but I understand, from speaking with my organization twice a day, they have no difficulty of any character at all. You gentlemen have kept me in Washington, and I haven't been able to do anything else.

If you will permit me to touch a little further on technological developments, some of the things we do in our plants which have been responsible for reducing this cost, I would like to do so.

Mr. FULTON. Your proposition is that you have already built \$3,200 houses, and you think on a 24 by 30 house, you could actually get that cost down to \$2,500 as a marketable proposition.

Mr. CURRIER. I think the day will come, and the day will come soon. I can't say I have developed it to where I can do it now. Presumably, I have done pretty well at \$3,265. I think the direction is downward. I think there are many other men in my field who think as I do, and I am by no means an outstanding example, but if they must be suppressed, if they must be kicked around every time they come out with good thinking and sound reasoning that will help our standards for our people, you won't have very many because they lose heart and

stop. We haven't used the brains we could have used in the construction field. They have been met with so much opposition by, we might say, invisible forces, that they just abandon it and probably think they ought to make a better automobile and quit thinking about the most essential thing people need to live; and that is what will continue to happen. We would have houses down to \$2,500 now if the people had wanted to think along those lines of improved technique in this field; if they hadn't been discouraged and forced to abandon their plans. It isn't everybody that can afford to spend several thousand dollars to fight an issue. A lot of men have had a much better fight than I could think of suggesting, but they have only had a couple of hundred dollars and have abandoned it in discouragement and gone into something else years ago.

Sometimes we have to decide whether we are going forward in the building industry or going backward. I feel we are going forward, but we can't defeat the powers of Government or the powers of organized effort that have the theory that every investment, every capital investment in a building, is a prize and should be worked out for as much as the boys that work on it can get. I am not talking about wage rates or income. I am talking about the extra hours of work that it takes. There isn't any sense of pulling the cat by the tail all the time, and that is what we have been trying to do for decades in the building trades, and we will continue it if we are not permitted to let the building industry join in the march of progress with the automobile and refrigerator and other things that have come to advance the living standards of the people.

Mr. FULTON. How does your annual wage payment to your average worker in the plant there compare with the annual wage payment of the building-crafts industries?

Mr. CURRIER. I would say we will average \$700 higher per year in the State of Michigan. I will say we will average \$350 to \$400 higher than the automobile plants.

Mr. FULTON. So that, in effect, it is a lower hourly wage rate than would be true with a craft industry for a regular job 52 weeks a year.

Mr. CURRIER. That is right.

Mr. FULTON. And \$700 more to the actual worker.

Mr. CURRIER. That is right. On the other hand, there is no cutting of wage rates in this situation at all. We haven't got to have a man who has spent years to learn how to get the technique of plumbing to be able to put the pipes in the wall while the section of the house is under construction. That can be an ordinary man on the assembly line who may draw 90 cents an hour the year around. One month or 2 months on an assembly line can develop a perfect mechanic for that work. He doesn't have to carry around a ton of tools and have an extra truck, and everything else, to achieve, out on a job, what a man on an assembly line could achieve in 1 hour. It is just a question of method. It isn't prefabricated. In this issue, it is just a different method of performing the same thing.

This house involved in this 300-house group here is a standard house that is to be built, that is all. I prefer to build it by putting it on an assembly line. I prefer to build it by reducing the amount of time that I could put in the field when there is going to be frost and cold weather and a man can't work. I prefer to put in that time in a warm shop

where a man can work. I can assure you a reduction of costs to achieve that by my method of not using subcontractors and not letting every man take a cut on everything. I put it in a shop and have one outfit do it all, which again obtains a saving. I would say both things, and in about the same proportion, have reduced it the difference in the bids.

Mr. FULTON. These houses that you were building, were they comparable houses to these?

Mr. CURRIER. Most of the houses that I have built have been built conventionally, not under the industrialized system, because you have to have numbers of houses alike and in one place in order to make it a success. On my other operations I used to have houses all over heck and all different designs, and I couldn't achieve the same measure of cost as I did on this, but, nevertheless, all year we have been building houses as big and bigger than this for less money than I quoted the United States Government.

Mr. FULTON. So that you are talking about a saving already of \$1,300 which you think would still allow you a liberal profit?

Mr. CURRIER. Quite a liberal profit.

Mr. FULTON. And a type of thing which, if continued, you would hope to make as much as \$2,000 less than the A. F. of L. bidder?

Mr. CURRIER. I would hope, Mr. Fulton, to reduce the cost of a five-room house, if our commodity values don't change—I don't know when they will change, but take commodities as they are, it is not out of the realm of reasonable thinking to say that a house can be built for \$2,500—24 by 30, the same size as this house here.

Mr. FULTON. With a cellar?

Mr. CURRIER. With a full basement, with furnace and every modern convenience, with a basement floor, and 8- or 9-inch block wall—everything that any modern house will give you—small, however, for a workingman, and based on the relative monthly payments, on what the \$4,700 price would be, it will be \$10 a month less, or payable 12 years faster. If the workingman taking my bid wants to pay the same payment he would have to pay under the other bid, he would have his home paid for 12 years faster than by taking the other bid. Or if he preferred to take less monthly payments, he can do it by paying \$10 less a month and pay for the house in the same length of time.

On our present basis of obsolescence and depreciation and our present interest rate, a house should be built for the workingman and his monthly payments should not exceed \$20 a month, and the day will come when it will not exceed \$20 a month.

Acting Chairman HATCH. When were the bids called for on this project?

Mr. CURRIER. They were called for on the 18th of September and it was bid on the 18th of September.

Acting Chairman HATCH. The contract has not been let?

Mr. CURRIER. The contract was morally let to me the night that I was so low. The officer, Colonel Westbrook, who had my bid, was somewhat shocked, I believe, because it was so low. I frankly wasn't shocked, but I should have been in sackcloth and ashes when my bid was so low, when I could have gotten another \$300,000 out of Uncle Sam—and I think there would have been less disturbance if I had done so, because I think it rocked the gravy boat properly.

I was satisfied my figures had been well checked, and the Colonel asked me, on account of being so low, how about my ability. I gave

him a signed statement which satisfied him. I told him the \$750,000 bond was ready, that all of the requirements under the contract would be fulfilled. He had his man go up there to Detroit and he studied it well, visited my plant, and went into everything to find out that Colonel Westbrook was not going to be let down. Privately, I don't see how he could be let down with my net worth and a \$750,000 bond, and the additional savings; I couldn't see how he could be let down, but nevertheless it was being carefully investigated.

I said, "I want to go back to Detroit and get to work," and he shook hands with me, and all the office staff shook hands with me, for being so low, I guess. I went back and went to work, and put in ten or fifteen thousand dollars, and didn't know there was any question about it. When Colonel Westbrook said I would get a letter in the mail, I didn't assume I wouldn't get a letter in the mail. I thought Colonel Westbrook and Mr. Carmody were very reliable. When the Colonel said "Go to work," I was going to go to work, and I didn't find out until rumors came to me that there was some question.

I came back on the following Friday to sign the contract and was amazed to discover that there had been a question raised, and I asked the Colonel how low I should be to get a contract with the United States Government. I thought four hundred thirty thousand, or more than four hundred thousand, was quite low. Well, he said that wasn't the issue, that a labor issue had been raised. I wanted to know what conceivable labor issue could be raised here when there wasn't a question of strikes or anything, and all labor was controlled by one source.

My method is the guaranty of no labor trouble, particularly when I was in a national organization that I did not know was in disrepute. If the C. I. O. is in disrepute, the public should know it. At least my men should know it before they, in their decision to select their bargaining agent, pick the wrong horse. We didn't dream of such a possibility. We still think we are dreaming, to think it could have happened.

Acting Chairman HATCH. What is the status right now?

Mr. CURRIER. The status right now is that I am still waiting—I hope it is not a sit-down strike. I am waiting for the contract. I propose to remain for quite a while until I get it, if it is possible at all.

Acting Chairman HATCH. Mr. Currier, I found your story very interesting. I am sorry I will have to leave and won't be able to hear the rest of it.

(Senator Ball took the chair.)

Mr. CURRIER. May I have another minute on an angle of the things that we do and some description of the technical improvements?

Mr. FULTON. If you keep it very brief.

Acting Chairman BALL. Yes; but we would like to hear Mr. Carmody on this same question.

Mr. FULTON. Very briefly.

Mr. CURRIER. A door—that isn't a natural door but nevertheless my point can be described. In our mill that door with all the hinges, all the hardware and everything is completed in the plant. The jams that go in beside it, the wood that goes in beside it that holds the door between the masonry and the stops, are already in together

in the plant before it leaves the assembly line. I can pay income higher than the automobile trades, or 20 percent higher than our trade, and do that work completely for 37½ cents an opening. I can put the door in; I can trim it to size; I can put the jams together; and I can put all that hardware on; and I defy anybody to do it under \$2.50 on the job, because they are doing it when it is awkward. I do it on a jig and that is there. I put the door in and use an electric drill to put the screws in the butts and use another drill to fix the lock-rail and put in room for the knob to go through, and I do it in one operation. Our cost, including shop overhead, is 37½ cents. We don't see the sense of spending \$3 or \$2.50 on it when it can be done there for 37½ cents.

That door is already in the wall section before it goes to the job. The door itself is separate, but when you get the door on the job, all you do is put the door right into the hinges there and drop the bolt in there and your door is done. It is all done without any work at all. The first coat of paint is on it before it gets there. There is only one coat to do on the job, and our experience is that it isn't marred, or anything, and we are getting out 500 to 700 doors a day on that basis for over 4 years. Every builder that does business with us gets the door built that way. Other builders get it done that way. We figure on the average small house we save \$25 alone by their accepting our method of putting doors on, and we make a profit.

A window can be done the same way, shoved in an opening. Our kitchen cupboards can be built in the plant for \$21 when they couldn't be built on the job with the same class of material at three times that much.

When this job comes out, the oak flooring is already in, the sanding is done, the waxing is done and the staining is done. When the job comes out all the flooring is finished. I can do it in the plant for less than half the cost outside, and I can buy the flooring much cheaper and it is better flooring, it is Brucelized flooring with everything in there to prevent moisture from going inside the wood. If I did it on the job with strip flooring, it would cost very much more.

The linoleum is also in. The house comes in two sections. The roof comes in two sections. When that house comes to the job, the cement blocks are already laid and the first 2 by 4's run around the top and leveled off. I can complete the house as far as erection is concerned with four men in 6 hours, and I believe a bunch of jobs in one place can be done faster than that. In other words, if I paid the standard rate in Detroit—which I am paying, but I am paying more than that in most cases, but the minimum is \$1.25 for carpenters—it could only cost \$30 to erect the house, and you would do it in half a day. I consider that much better than taking 2 weeks or 6 weeks to do the same thing. Our electrical wire is already in the walls. Our plumbing is already in the walls. Our heat ducts, if there should be a room on the second floor, are already in the walls. All the boring for the electric wires and boring for the plumbing is already put in by wood drills. There is no necessity for having a brace and bit and monkeying around with a chisel and mallet and other tools to do something by hand that could be done much more rapidly over a machine and with less labor. In other words, it isn't hard to work on it; whereas if you take a brace and bit and try to drill a 3-inch hole through a yellow-pine knot, you will find that is work.

That is one reason for one of the things we are doing that I could pass out to any man, and he would readily understand that was responsible for the savings. And I want to know, gentlemen, why I should do it the other way when I can do it that way so much more easily and with so much more income and much easier life for our men.

I am not going to go any further, but I could go on for hours, and I think I could give you continued interesting information, because I have several hundred proofs here before me that I could submit to you; but I thank you.

Acting Chairman BALL. Mr. Currier, your wage for carpenters on the job is \$1.25 to \$1.40?

Mr. CURRIER. That is right.

Acting Chairman BALL. What about mill hands?

Mr. CURRIER. Our highest rate in the mill is \$1.25, and these young fellows who come in, 20 or 21, and shove trucks around, get 70 cents—70 cents to \$1.25. They work 50 hours and get time and a half over 40. Our guaranty to the men is 40 hours for 52 weeks, but our attempt is 50. They get time and a half over 40 hours. If you check it up, based on a definite policy, it would work out to a minimum of close to 80 cents and a maximum of around \$1.40.

Remember, in our mill there is a different type, but in our trade there are other men, like myself, who have plants. We are 20 percent above the plant that we are in competition with. There are other plants in Detroit like ours, and we are comparable with them, or 20 percent above their rate, in addition to year-round employment. The truck driver gets 80 cents an hour. The Government specifies 75 cents. If I went into a description of different types of men in the plant, I would have 25 classifications for you. For truck drivers, 75 is the Government's demand, 75 is the A. F. of L.'s rate, 75 is the C. I. O. rate, 80 cents is our rate. Our men get time and a half over 40 hours, and we decided on more than 40 hours. It isn't as though they worked 40 hours. Our plan is for the truck drivers to work 50 to 55 hours in the summertime, so they get about \$56 a week. Our average truck driver gets \$55 a week—between \$50 and \$55.

Acting Chairman BALL. You more or less guarantee both inside and outside employees 52 weeks a year?

Mr. CURRIER. That is right. We have our record. Our best proof of our record, sir, is the fact that they preferred to remain a set-up that was working than take a chance on any national union until the time came when they saw we were going to be squeezed out of the picture because our market which we had relied upon was being choked out because of the difficulty in getting material under priorities.

So we felt—the men felt, intelligent men—they doped out most of their social planning themselves. I have always supported anything in the right direction, but I don't take the responsibility for all the ideas we have. They saw we were not going to have any work, and they figured we had to enter a wider field.

Acting Chairman BALL. Did the A. F. of L. building trades in their contacts with you object to this method of construction?

Mr. CURRIER. Always. They never had a contract with me. In conversations with me hundreds of times—and I have never been on the outs with them—I have been told that every time I talked to them. I suggested to them 3 years ago the direction this should go, and they said it couldn't be done, because they had to protect the electrical union

and the plumbers' union and some other damned union—if you will pardon my French. They had to protect some union and they had to protect their initiation charge. I understand these initiation charges run up into the hundreds. What would happen if we were permitted to turn out sashes by the hundreds, glazed in the shop? It is a philosophy.

Their philosophy of building is different, in my opinion, from the progress of our times. They couldn't do it. I have discussed it with them several times, recently, too. There wasn't any hope for us to follow an idea of lowering costs if we adopted a philosophy that when craftsmen had learned a trade, that an industry should be preserved to take care of them because they had learned their trade. We felt the most important thing was to lower costs for the benefit of the most people. We always felt at a time when building demand was high, that the principle of trying to preserve the crafts alone produced a shortage of mechanics—a definite shortage of mechanics—particularly in view of the fact that I think everyone knows that in many cities and in many places it has been very difficult to enter a closed craft union. They preferred to have men work on a permit basis, so it always left us with a gradual shortening of mechanics, particularly after we had come out of depression years. When we came out of the depression years and building was so bad, naturally no new men went into those trades, so they preferred to produce a shortage of mechanics and a higher cost rather than making the work so easy that any man could participate in its production.

There is much heavy construction that the construction field could well continue at, but without all the advantages of factory production that the small house for the workingman offers, and you could get your houses done faster, there wouldn't be the delay in getting plants out, in getting the plants finished, because you are enlisting in the field of defense workers more men that are able to do the type of work that you want to do.

Here are 300 houses. Men are sleeping in barns and everywhere else out in that district, and a private industry could not serve the workingman out there, and investigation will disclose that the demand is bad. We sit by and wait weeks. The frost will be in the ground soon and you can't put in footings, and it just means you delay the defense program by stalling around on the subject. I am sure that is a strong statement, but I am sure it is right.

Acting Chairman BALL. Thank you, Mr. Currier.

Mr. Carmody.

TESTIMONY OF JOHN M. CARMODY, ADMINISTRATOR, FEDERAL WORKS AGENCY, WASHINGTON, D. C.—Resumed

Acting Chairman BALL. Mr. Carmody, I think we would like you first to give us your general statement about the points involved in this Currier contract.

Mr. CARMODY. Several years ago, when I was in the structural-steel business, very heavy gates were built at the Panama Canal. Bids were submitted by the largest structural-steel firms in the United States at that time. When the bids were opened, it was discovered that McClintock-Marshall Co., an independent company, bid several million

dollars under the American Bridge Co., which at that time was the largest fabricating company in the country. One of the partners fainted when they made it. Something of that kind always takes place when bids are opened. The fellow who didn't get the job feels that he might have cut something out and got it, and the fellow who got the job feels that he might have got it if his bid had been just enough under the second bidder to be low.

So, when Mr. Currier says that we are not interested in low bids, I should like to say that not only are we interested in low bids, but we have rejected many bids because they weren't low enough and have asked contractors to come back even for the third time with bids on this particular program. In one case that I have in mind, on a job of about \$1,200,000, on the third bidding we got \$200,000 out of it with practically no changes in the plans. We are tremendously interested in low bids and in low costs from reputable people. I am not aware that Mr. Currier has been charged with not being financially responsible.

Now, I think the best evidence of the wisdom of caution on this job at this time was given by Mr. Currier himself when he said that doing the work the way it is planned to do it would cause a revolution in the building industry. The building industry is thousands of years old. It has been backward technologically, but it has made some progress. It is a very large industry. Perhaps there are too many separate factors in it. It has been guided largely by craft workmanship, growing, as Mr. Currier says, partly out of the guilds and partly out of an earlier history than that in the field of building.

Now, with respect to this particular job, I feel that I have more than a single responsibility. There may or may not be a publicly declared labor policy, but that the Government, through the Congress and through the administration, is interested in certain labor relationships is evidenced in many ways—evidenced by the passage of the Bacon-Davis law itself, which governs wage rates on this job. None of us would be likely to inquire into Mr. Currier's wage rates on this job beyond finding out whether or not he was conforming to the prevailing wage scale that would be submitted to us and to him by the Department of Labor, as a matter of course.

The creation of various labor boards indicates the broad interest of the Government itself in matters of labor policy. I think, with respect to labor matters now, and with respect to the defense program, that the most regrettable thing of all is that there is a divided labor movement in this country. I don't know that anyone can do anything about it. I have been acquainted with the labor movement for many years. I have been acquainted with labor leaders for many years in all of these camps. I was a mediator under the Wagner Labor Board during the early days of N. R. A. My natural approach to these problems is that of a mediator who would undertake to reconcile the differences that have broken out.

I was chairman of one of the six bituminous labor boards which were set up under N. R. A., and when the six groups gathered as a single body, by choice of the chairmen of the other five, I was the chairman of the group, representing them in their dealings with N. R. A. and with the operators as well as with the unions.

I was a member of the National Mediation Board, which handles labor matters on the class A railroads in the United States, dealing with 21 railroad brotherhoods.

I was one of the original members of the National Labor Relations Board that was created by the Congress.

Out of that experience I have had an intimate relationship with these labor problems. I don't want to be the person that creates a revolution in this. I have hoped, first, that some of the progress that has been made in prefabrication and transplanting it to the field could be developed still further without injuring, if it is possible to do it, large bodies of citizens. It may be that it cannot be done that way; but if it can't be done that way, let us at least try to do it that way.

Now as to this particular job: When O. P. M. was created in order that there might be a balance between employers and employees, the President named joint heads, one representing the employers, Mr. Knudsen, one representing labor, Mr. Hillman. I think that, too, indicates a desire to bring about the greatest possible degree of stability.

Now, it has been my information that the labor section of O. P. M. feels that there is likely to be less stability in the total labor situation if an organization that has not heretofore been in the building industry comes into it. However, at this moment, I think we are about to close out any indecision with respect to what ought to be done here. If I had not come here this morning, I think I would have been in touch with representatives of O. P. M. and of other agencies of Government to see if we can't finally get the answer to this.

Acting Chairman BALL. Where did your information from O. P. M. come? I mean from what source?

Mr. CARMODY. Well, it came from two sources. It came from the members of a board of review that has been set up, and also directly from Mr. Hillman's office, although not from him, because he has been out of town, and I had to get in touch with him out of town.

Acting Chairman BALL. This is the first time this question of granting a Government construction contract to a concern with a closed-shop C. I. O. contract has come up, I take it.

Mr. CARMODY. I think this is the first time that it has come sharply in this fashion. I think that some contractors, prefabricators, may have built a few units without A. F. of L. labor, but this is the first time that the issue has come as sharply as this. I recognized this when it was brought to my attention, and I did not know it until my attention was called to it by O. P. M. as something that is important in the labor stabilization in the defense program. I think there is no question on the part of the representatives even of C. I. O. about my own knowledge of what is involved here or my lack of understanding of their point of view. Incidentally, I have already told Mr. Currier that he stated his case completely to me the first time he came to see me with representatives from C. I. O. There is no misunderstanding on my part about his case, except that I am rather surprised, even at this late date, having him say that he doesn't understand there is a labor situation involved. That is a little naive and perhaps something else. But that is all right; I won't even quarrel with that.

Acting Chairman BALL. Have you satisfied yourself reasonably as to whether on this particular contract the fact that he has a C. I. O. closed-shop agreement would lead to difficulty on the job?

Mr. CARMODY. Well, there is no way by which one can completely satisfy himself in labor matters of that kind. I will say this, that I am quite sure that this is one time when too much knowledge of a situation is a handicap. If I had no previous experience with the labor problems and had no understanding of the fundamentals involved here, I probably would have signed this contract, and nobody ever would have heard of it until something happened in Detroit.

Incidentally, I should like to say, too, that I have a notion that perhaps from the point of view of public education on complex problems, the discussion surrounding this will prove to have been helpful to everybody.

Acting Chairman BALL. You mean an appreciation of your headaches?

Mr. CARMODY. Yes; well, I probably could say that sometimes it takes more courage to face discussion than it does to sign your name and run away from it.

Acting Chairman BALL. I am still trying to get a picture of this Detroit situation. If the situation is as Mr. Currier gave it to us, my impression would be that he probably can do the job without any major labor difficulty on it. A. F. of L. might object, but after all, Detroit is pretty much a C. I. O. town.

Mr. CARMODY. Yes.

Acting Chairman BALL. But you are looking at the thing from the national angle.

Mr. CARMODY. Yes; I think that if, as a result of this contract being given to a contractor who previously had not been operating in the program, there were repercussions even elsewhere in the defense program, I would be held responsible for having brought them about if I had not given it not only thorough consideration myself, but if I had not talked it over with other people who have even greater responsibility for labor stabilization in the defense program than I personally have.

Acting Chairman BALL. Have you been in contact with the building-trades department of the A. F. of L. on this?

Mr. CARMODY. No; I have not. I have not myself called them, except that I have been called by representatives of the building-trades union.

Acting Chairman BALL. What is their position on it?

Mr. CARMODY. Well, the position of the building-trades people in Detroit is that they do not want to see this contract go this way. That is quite natural. I expected that. I happened to have known some of the men in that industry in Detroit. You see, Detroit for many, many years was known as one of the strongest open-shop cities in the United States. There was no organization in the automobile business, and the building trades themselves struggled against great employer-organized opposition.

I participated—wait a minute. How did I come to deal with the local Labor Board? Yes; there was a regional board in Detroit in 1933, I was sent out there to endeavor to adjust the tool and die makers' strike which broke out in the automobile industry, and there I met

all of the members of the regional labor board. I recall now that Frank Martel, who was head of the building-trades union in Detroit, was a member of that board; and there sat on the board as an alternate when he was not here, Dan Collins, who was head of the bricklayers.

It was out of the discussions that we had around that table that I learned that it was extremely difficult for them to maintain union organization throughout, because, you see, the employers that fought organization inside their plants also fought against giving contracts for construction—and they were responsible for a lot of it—to contractors employing organized labor. As a matter of fact, the representative of the employers, who had actually been brought in there to break up the unions that were then there, was also a member of this board, and I sat with him, too.

Those men were perfectly frank in telling the history of this struggle in Detroit. I hadn't thought of it until this came up, but it comes back to me quite sharply now. Whether or not that situation obtains today, I do not know. The automobile business is organized. The C. I. O. has organized it. And it may be that there is a somewhat different situation.

Acting Chairman BALL. Is it your information that this 30 per cent of the building industry in Detroit that has organized is C. I. O. in substantial part?

Mr. CARMODY. That I do not know. I have no figures on it, and I have made no inquiry.

Acting Chairman BALL. Did the Detroit Building Trades Council make any threats or predictions of trouble or anything?

Mr. CARMODY. No; they called me on the telephone to tell me the story and to tell me of the difficulties that had arisen in the past and what they thought would be difficulties that would arise in the future—but no threats; no. Nobody has made threats, and I have not heard from Seattle. The convention is on in Seattle—first the building trades and then the A. F. of L. convention.

Acting Chairman BALL. You haven't heard, then, from the building-trades department of the A. F. of L.?

Mr. CARMODY. The building-trades department of the A. F. of L. have not communicated with me so far as I know. They may have written me letters, but when letters and telegrams come in in stacks like that, one can't read them all.

Acting Chairman BALL. Is there any legal basis on which you could deny Mr. Currier this contract simply on the grounds of a labor policy?

Mr. CARMODY. I have been informed by the Department of Justice that there is no legal basis for that. I have communicated that to O. P. M., and that is what I hoped to get settled today if I didn't have to come here.

Acting Chairman BALL. In other words, even if you decided that it might be wise to give the A. F. of L. building trades a monopoly on Government construction, there is no legal way you can do it any more than they can give the C. I. O. a monopoly on machine-shop work or automobiles.

Mr. CARMODY. Unions usually develop their own monopolies.

Acting Chairman BALL. I take it the decision that is in the making will—

Mr. CARMODY (interposing). I certainly am the last person in the world to wish to get into arguments with unions about how they run their business. I haven't been in the practice of giving them advice, because they are autonomous, and they know their own business, and they have had to fight for what they have had over the years. But I would suggest that it might be somewhat difficult for an A. F. of L. group to organize a mine in West Virginia, you know. I mean the difficulty is that we are aware of those things when we talk about monopoly.

Acting Chairman BALL. Have you gone into this thing enough to be satisfied as to the economy in it?

Mr. CARMODY. I am sure there are economies. I am sure, too, that while this is not the beginning—other beginnings have been made—the very fact that so much public attention has been focused upon it may mean that certain changes will come more rapidly in the building industry as a result of it than they might have come without it. I think this discussion is not without its values. I do not know whether everybody will agree with me on that, but I am of the opinion that in the end, it will prove to have had value for the A. F. of L. craft unions.

Acting Chairman BALL. It looks as if it is an inevitable economic development, and they had better adjust to it rather than fight it.

Mr. CARMODY. Yes, sir.

No; I think that it is fair to say that a good deal of the straight-line production development in the automobile industry that broke down the crafts came faster because there were no hard and fast precedents that had to be broken down. I think perhaps that example is having its effect on production not only in Mr. Currier's plant and in a few other plants having to do with prefabrication, but perhaps throughout the industry.

Mr. FULTON. Well, then, I take it that on the building of these seven, eight, or nine hundred houses that Mr. Currier spoke of, you would agree that he had no labor difficulties that prevented those from being built in Detroit?

Mr. CARMODY. Would I agree that he will not have?

Mr. FULTON. No; that he did not have.

Mr. CARMODY. Oh. I really don't know.

Mr. FULTON. As far as your information now is concerned, he has been able to build those.

Mr. CARMODY. I have no information on it. I think, as a matter of fact, that he explained that better than I could when he said that he was picketed and that he saw 10 of his men unconscious at one time. I don't know by what process of reasoning he can say that and say that he has had no labor trouble. It is a rather conflicting statement, I think, at least. But that is his business. I know nothing about that except that I think that I cannot be unaware of the struggle that has gone on everywhere. It is a very unusual thing for men to walk in to the boss and tell him that they are organized and want to deal with him and have him accept it immediately and bargain with them immediately or hand them an agreement immediately. That isn't the way it's usually done, and everybody knows it. The C. I. O. is separate, but C. I. O. came out of A. F. of L., and everybody, going away back to the Knights of Labor and farther back, knows that labor

unions have got what they have got by two principal processes: One, by struggle, and struggle largely on the job; and the other by getting friends, by electing them or making them, in bodies that make laws. Those are the two avenues that they have had to use, and they have had an uphill fight. I am the last person to decry that effort. It has been a hard struggle.

I was a member of the National Labor Relations Board, and there, you saw, even after the law was passed, hostile lawyers advising their clients to pay no attention to it, and when they came before the Board, reluctantly, they always challenged the constitutionality of the act. And we listened to that story from the most reputable lawyers in the United States for one whole year before we got our cases to the Supreme Court, and after five, six, or seven such cases were settled, that opposition subsided somewhat, but not wholly.

So I am not unfamiliar with this whole struggle and the tremendous amount of time and energy that workingmen themselves and through their representatives have had to put into the fight to get their rights.

Mr. FULTON. I was merely trying to clarify the situation at Detroit.

Mr. CARMODY. I see.

Mr. FULTON. And I asked whether your information was that there is presently any labor difficulty between the Currier Co. and any labor group in connection with the building of similar houses in greater quantities.

Mr. CARMODY. None that I know of and none that I think I would have to take into account in judging this. This was a simple issue to me. The moment it was brought to my attention, I saw what the issue was. It is whether or not, in its endeavor to stabilize labor relationships throughout the defense industry, there is an agency of Government that can say to me that I may or may not sign a particular contract because it will upset labor relations perhaps far away from the site of the particular project. That is the issue, and that is the issue that I am trying to get clarified, and I think I would have got it clarified if several of the people that I had to deal with weren't out of town, some these days and some other days.

Acting Chairman BALL. Did you get any report that charged that the situation as to Mr. Currier's signing of this contract was other than he stated it? I mean, we both know that there have been employers threatened with organization by A. F. of L. or C. I. O., who have quickly signed the contract with the other union. Do you know if that has been done?

Mr. CARMODY. I have no formal report that I am aware of. I will go through my papers when I go back to see. It is referred to in Detroit as the "sweetheart" contract. Now, that is a term that you are familiar with, but that has had no bearing on my own judgment in this case—none whatsoever. As I tried to say a minute ago, the issue is a narrow issue, as lawyers say, and I think it can be settled promptly.

Mr. FULTON. So far as you are concerned, you hold no brief for either type of union, as I understand it?

Mr. CARMODY. Of course, I can't. I am concerned about low costs, I am concerned about standards of construction, and I am concerned

that at least the minimum wages paid by the contractor conform to the legal requirements of the Bacon-Davis Act.

Mr. FULTON. And your concern here is largely because the contract built by one union would be 50 percent cheaper than built by the other.

Mr. CARMODY. I think that is an exaggeration. I don't have the exact figures.

Mr. FULTON. The second lowest bid is nearly 50 percent higher than the lowest bid.

Mr. CARMODY. Let me say this to you, Mr. Fulton. I have told representatives of the two organizations, on occasion, that I have no desire to try to settle this large jurisdictional dispute through operations in my agency. If, as a friend of the court on the outside, if through my acquaintance with leaders on both sides, I can help in any way to reconcile differences that ought to be reconciled, I should be glad to do it, but I don't want to do it through the instrumentality of a contract for which I am responsible as an Administrator. I have told them that.

DEFENSE HOUSING COSTS

Mr. FULTON. Have your experts made a study of these costs and these savings to such an extent that you would be able to tell us whether Mr. Currier was right in saying that the American workman might reasonably expect to have a house at \$2,500 of the type that the A. F. of L. contractors here are bidding \$4,600 on?

Mr. CARMODY. No; I have no figures that would show what the content in labor and material are under those two prices. I think they can be gotten. Our experience thus far is that bids on demountable houses, which have some features in them which perhaps these don't have, are higher than are bids on conventional homes. Now, in both cases they may represent all A. F. of L. labor. I do not know; I doubt it. I feel that perhaps some of the people who are building the demountable houses either have open-shop arrangements or arrangements with C. I. O. in their shops for certain of the work that they do there. Again, I have not gone into it.

Frankly, my concern, as it usually is, is for cost and for production on schedule, and for the quality that is called for in the contract; and I haven't gone back of that in each case to examine into the labor relationships of the various contractors. There are a lot of them, and they shift from day to day, and it is their business. That is why we hire contractors—so that they should take care of the labor management for us. Now, we have some men who go into the field in case of disputes. They go into the field to inquire into charges that perhaps the minimum wage is not paid, or that somebody is required to pay a kick-back. That is done, as a matter of course. The moment such a complaint comes, somebody goes on the job, and we get a report. We straighten it up if we can, and if we can't we undertake to adjust it either through the Department of Justice or somewhere else.

Mr. FULTON. It is important, of course, to have housing at a low price, because the workmen live in the houses and have to pay for them.

Mr. CARMODY. That is right.

Mr. FULTON. But in this case, under the Lanham Act and so on, we have the double importance of the Government paying and the workmen living in them.

Mr. CARMODY. That is right. We have been aware of that. As a matter of fact, the top limit of cost for these houses was actually suggested by Commissioner Reynolds, of the Public Buildings Administration, at the time of the hearings last summer. He felt, on the basis of figures that he had, that they could be built for that figure. Now, of course, the prices of materials and wage rates and so on have increased to where we think the top limit in the act is probably 10 percent too low.

But on this question of what ultimate costs will be achieved by a change in labor arrangements, one is only speculating. When straight-line production really got under way in Detroit, it was possible to take people without experience at a minimum rate of 40 or 45 cents. Over those years that rate has increased greatly, but frequently the fact that you pay a high wage rate, hourly rate, or annual rate does not necessarily mean that you get high cost. There is some relationship, of course, between the rate and the cost, but the real governing factor is how many units are produced within the given time for that money. That is it. You know that.

Mr. FULTON. That is the whole basis of American success, isn't it?

Mr. CARMODY. That is right. It is elementary. That is it. That has been the contention of the labor unions for years—that if they got higher rates they would produce more. Economists have maintained that. Now, at what point you stop that and get higher costs can be determined only by study in particular situations, as I see it.

Mr. FULTON. And in the automobile industry it is determined by the cost of the unit to the manufacturer, because it stops when he reaches that cost. But if he had an artificial stop—and you remember the days when they used to assemble an automobile in what looked like a horse stall—

Mr. CARMODY (interposing). That is right.

Mr. FULTON. By going after each part and bringing it to the car. If they had stopped there, the cost of an automobile today would be quite a different thing.

Mr. CARMODY. We couldn't have had the production that we have had nor the quality that we have got for the money. As a matter of fact, even though wage rates have gone up and in some cases materials have gone up, you know and everybody knows that the automobile has got consistently better at generally lower prices, year by year, until this moment, when priorities will interfere with some of the development. But that has been the thing. The building industry, I think everybody knows, is ready for a good deal of development along that line.

Mr. FULTON. Now, with respect to these 24-by-30-foot houses with basements, are we getting anything comparable to that under the Lanham Act at those prices?

Mr. CARMODY. For how much?

Mr. FULTON. Twenty-five to thirty-two hundred dollars.

Mr. CARMODY. Well, for \$3,200 shelter cost, we are, but not for \$2,500, I think. I haven't seen his houses.

Mr. FULTON. What typical building sections do you have where you build houses of that character for that price?

Mr. CARMODY. Here are average costs for 7,600 dwellings, per unit, \$2,972. That is all over the country.

Mr. FULTON. And with basements?

Mr. CARMODY. Some of them would have basements; some not. I think very few of them with basements. We have built very few full-basement houses—very few.

Mr. FULTON. And 24 feet by 30 feet?

Mr. CARMODY. I think 24 by 28.

Mr. FULTON. So the average house is smaller, and the average house has no basement.

Mr. CARMODY. That is right.

Mr. FULTON. And then in addition, a number of those are multiple dwellings, are they not?

Mr. CARMODY. Yes.

Mr. FULTON. And many of them built in the South, with somewhat different building construction.

Mr. CARMODY. Yes; many are built in the South. A good many of them, too, I think it is fair to say, are masonry structure. They have brick, or they have tile, or they have something of that sort. You see, it was recognized by the Congress that masonry construction costs more, and of its own volition, and without any recommendation from us, the top price was raised from an average of \$3,000 to \$3,500 in cases where clay products (that is the way they put it) were used. That was merely to give the clay-products industry part of some of the business. The representations looking to that increase were really made by the clay-products industry from various parts of the country, and by the bricklayers, of course.

Mr. FULTON. I judge that it would be fair to say that on the average of the smaller houses, less well constructed and without basement, we were paying \$700 a piece higher than this bill of Mr. Currier's.

Mr. CARMODY. I would not be surprised to find, if these figures are correct, that there will be some increased values there.

May I ask a question? Because this issue with respect to this contract, so far as I am concerned, is a narrow issue. I have not gone into an analysis of his bid. I take the word of the head of the construction agency, who tells me his people have examined it, that it is the low bid, and that he is a responsible person, and so on. I haven't personally done that. I would like to ask here, if I may, whether Colonel Westbrook knows what the total unit cost is in that. I don't have the figures in mind.

Mr. WESTBROOK.¹ I don't, either, Mr. Carmody. I am sorry, but I don't have them.

Mr. CARMODY. We will find that out.

Mr. FULTON. Mr. Currier, what was the amount of your bid?

Mr. CURRIER. \$3,265 per unit. That did not include the land, of course. That was the cost of the construction of the house according to the specifications.

Mr. CARMODY. You see, apparently that is not a low bid. It was lower than other bids in Detroit, but it doesn't represent the lowest

¹ Col. Lawrence Westbrook, special assistant to the Federal Works Administrator.

cost that we are now achieving by a variety of methods, taking his own figures.

Mr. FULTON. It is the same type construction, because unless we take the same type of construction, it doesn't make much of a comparison. I just wanted the general thing to see whether it is true, not only of the Detroit project, but probably of all the projects, that we could save several hundred dollars a unit on our defense housing by adopting this other method or at least permitting the adoption of one that would naturally grow by its own weight and its own value, unless artificially stultified and killed.

Mr. CARMODY. That is right. I think it has been on the way for a long time. As a matter of fact, I ought not to take the time to say this, but 35 years ago when I was still working in structural-steel work, an associate of mine put all the money he had and all the money he could borrow from his family and friends into a prefabricated housing project. He was the first person I had ever heard talk about prefabricating all of the parts in the shop, under cover, and delivering them to the job. He resigned his position with the New York Central Railroad, went into this business, and spent all that money.

I saw him two or three times later, and he was a discouraged person. I think Mr. Currier said that many men, putting a few hundred dollars into this, have backed out, discouraged. It happens that now comes someone with funds, resources, who is able to do more. In the meantime the prefabricated process has already had its influence on the building trades in many, many ways. There are many things that go into practically all of our buildings today that are prefabricated in the shop or in the mill which weren't there a few years ago, and more recently on this defense-housing job it has developed in the field on some of the jobs that I have seen. In fact, on practically all of the jobs that I have seen there is precutting under a shed and the delivery of the cut parts right to the job. All of the contractors and all of the engineers are interested in reducing the total number of man-hours. I think a good many of you have heard about the San Diego job, Kearney Mesa, where practically a complete prefabrication was carried on on the site. Some of you have seen it or have seen pictures of it. So it is coming, so far as that is concerned.

Acting Chairman BALL. This prefabrication job has to be done within a reasonable distance of the site. You couldn't prefabricate in the East and ship to the West, or anything like that.

Mr. CARMODY. Well, I don't know how far the prefabricators can ship. I think I touched upon that just a little bit the other day when I told you that we had all the prefabricators—or all those who wanted to come—in to a conference, and there was some discussion there about the economic transportation limit.

I think that those who had had real experience said that if they got any considerable business in an area they would be likely to set up a shop there to do it. Also in the T. V. A. cell-unit program, where they build a cell under cover and truck it out to a foundation, they told us that 70 miles was the economic limit there.

Acting Chairman BALL. Mr. Carmody, it is the plan, isn't it, wherever you can do it, to eventually sell these homes to employees—workers?

Mr. CARMODY. Yes. I suppose no one can say surely in advance what will happen to them.

Acting Chairman BALL. That would be the ideal solution, wouldn't it?

Mr. CARMODY. Yes; that is right. We do have—and the committee will want to make some inquiry into it, I am sure—a limited experimental program for mutual home ownership which Colonel Westbrook, after long years of thought and some practice, hopes might be brought to fruition. I don't know what the future of it will be, but there it is deliberately hoped that the men who live in these homes will be able to buy them and own them and continue to live there and be a factor, if you please, in changing over from wartime production to peacetime production. No one can foresee what might happen in a situation of this kind. We are all aware of that. But some thought can be given to the plants for the future and some thought can be given to the utilization of plants that are built now for munitions purpose, in times of peace. It would be foolish not to do it.

Acting Chairman BALL. Certainly the ideal solution would be that these homes all eventually find their way into private ownership—home owners.

Mr. CARMODY. That is right; and if I may say just one more thing there with respect to that planning and general planning, no single agency or group can do it alone. The Federal Government, working with local officials, planning ahead for the years to come, cannot plan successfully without collaboration from two other sources. One is industry, and not only the financial side of industry, but the scientists in industry, who are really determining where plants go and what kind of plants you need and what size of plants you need for certain production. One is industry, with its scientists, and the other is labor itself, through its proper representatives. Those three groups really ought to participate frankly and boldly in planning for the future and in planning for any change-over from war production to peacetime production.

One of the difficulties following 1918 was that contracts were shut off like that, and those of us who had them didn't know what to do. We didn't know whether we could put another hour's work into them. We felt if we did, we wouldn't get paid for it. We had to lay people off; we had to leave many, many things partly finished, and then, over a period of months, work out arrangements for finishing them and distributing them. But we did it on our own responsibility, and it was more than we should have been asked to do. I mean that even though we were dealing with the labor crowd, they did not participate in planning out those contracts. If I were to do it again, I would see that they did participate.

Acting Chairman BALL. But that being the situation, you hope that eventually these homes will become privately owned by the workmen?

Mr. CARMODY. Yes.

Acting Chairman BALL. Then this cost situation becomes very important, because the lower you can keep that cost, the easier it is going to be for those men.

Mr. CARMODY. That is right.

Acting Chairman BALL. And in this job twelve or thirteen hundred dollars on a home makes a tremendous difference in the monthly payment.

Mr. CARMODY. Again, I don't think there is that difference, but whatever difference there is is a difference, and difference enough to justify your statement and to justify our effort to achieve real economy.

If we are through with this, I would like to make a brief statement and then go back to whatever the committee wants.

The brief statement is that I am not sure I made it clear the other day when I talked to you about using numerous construction agencies; that from the very first we did that deliberately in order to have operations going on simultaneously in many parts of the country, without bottlenecks, and to effect that, we set up a production control. First of all, we have a representative—that is, the construction agency has a representative on every job, an engineer, who is in touch with construction, and a cost man who is in touch with costs. From those projects we get regular telegraphic reports each week on the number of men employed, the percentage of completion, and points of difficulty—for instance, failure to receive soil pipe or something of that kind. In that fashion we are in touch with the progress of every job. That is all recorded, and all of that information and all of the questions of progress are then discussed at a joint production meeting.

In order to build a schedule that men could work by, the agencies themselves worked out a preconstruction schedule of 59 days. Each of several major operations is given a scheduled time, and I point to this chart over here which is typical of the charts we have used to undertake to follow the actual construction progress. By means of these we are aware of delays of any one of many kinds that can occur on a wide-flung construction program. When you start in without land and must select the site, acquire the land, and in that process must conform to a considerable number of previously worked out and necessary standards with respect to relationship to schools, to churches, to commercial facilities, and water facilities, and sewers and a wide variety of facilities that are essential before a site can be actually selected, and then go on to the process of actually getting the land and frequently taking time to work with communities who either don't think there is need for the housing or don't like the kind that is built or don't like the place where it is being built, and so on, there are inevitable delays.

Then we have the business of getting a site plan, once the site itself is selected, and getting a plan that is adapted to that site; then the working drawings; and then, after drawings and specifications, going into the question of the bids, and so on.

So, we have this schedule of 59 days. I think the average achievement over the program has been about 67 days. That is my best recollection.

After that preconstruction period, we have the period of construction, and it is there, again, that we follow operations every day on the job, through men who are there and every week at headquarters, where we have a joint production meeting. That has many advantages. It has the advantage of bringing to light any unusual delay, and I think it has the advantage of acquiring a very huge number of men with this type of more precise planning and more precise production control. I think it has had its effect on contractors who are aware of the fact that we do this and who want to be, as nearly as they can, on schedule.

We have had only a very few cases in which contractors haven't wanted to achieve the schedule, even though both schedules—the pre-construction schedule and the construction schedule—are known to all of us and all of them to be tight and much tighter than schedules for this character of work previous to the inception of this program.

I wanted to have that in the record, if you please.

One more thing, and that is this occupancy control. That, again, is a matter of sharp follow-up and constant review, so that we will at least be trying to meet our obligations there.

Well, I think I have covered that now.

Incidentally, with respect to this occupancy, I understand that we have compiled a complete statement covering all projects, which will be put into the record, if the committee wishes.

Mr. Adams says the committee has it, so I think that we can look over it. It speaks for itself; it is factual.

One more thing on costs. Just for the moment, on two projects in or near Detroit, we have low bids, one at Centerline, \$2,339; and one in Detroit itself, a brick project, \$3,411. There were 120 brick and 80 frame dwelling units in that case.

Mr. FULTON. On costs, the Lanham Act, as I understand it, restricts, does it not, the cost of these units—

Mr. CARMODY (interposing). Yes; the Lanham.

Mr. FULTON. To \$3,500, exclusive of the administrative expenses, utilities, and community facilities?

Mr. CARMODY. No; \$3,000 was the top limit for shelter cost, until the Act was revised to make that top limit \$3,500. But it was my understanding from the hearings that the upper figure applied to structures where clay products were used—and I attended all of them, and I answered questions directed at me by Senator Taft with respect to my understanding of how the money would be used if the act were changed. On the basis of those hearings I have assumed that the new \$3,500 top limit applied to structures where clay products were used, so that we are still trying to hit the \$3,000 average shelter cost on other types of structures. It cannot be done from here on, I am told.

Mr. FULTON. With the methods you are now using?

Mr. CARMODY. Well, with any methods.

Mr. FULTON. Have you investigated to ascertain whether some of these other methods might not bring it down to the maximum that Congress provided?

Mr. CARMODY. Mr. Currier testifies that his own bid is \$3,200—

Mr. FULTON (interposing). \$3,265.

Mr. CARMODY. Yes.

Mr. FULTON. But I didn't hear him testify that that was his cost.

Mr. CARMODY. Oh, I see. That was his bid.

Mr. FULTON. That was his bid, but what I had in mind was that I note that a great many of these units were running hundreds of dollars and even in some cases considerably more than a thousand dollars over the \$3,500 limit.

Mr. CARMODY. There is no over-all \$3,500 limit. The \$3,500 limit applies only to the shelter cost. There may have been a \$3,500 limit, I think, in the Navy appropriation, but it is my understanding that there is no such over-all limit in the Lanham Act.

Oh, yes. Mr. Adams says we have tried that prefabricated method on many projects. We have, and we are still dealing with them, and they are free to bid on these jobs. I will say this, that I was very much surprised after our conference of prefabricators and after many of them had not only come to see me but had come to see a good many other people in Washington, to find that they weren't bidding low at all. Now, that may have been because they hadn't had experience with Government contracts or it may be that when they found themselves having to comply with the act with respect to the Bacon-Davis law, that that had a bearing on their costs, too, but we are——

Mr. FULTON (interposing). Or, it might be that they looked around at what their competitors were getting and what you were paying and decided to bid somewhere in that neighborhood, irrespective of that.

Mr. CARMODY. I think that is a practical thing. I think that is what a good many would do. I think a good many contractors bid just enough so that they think they will be under the other fellow and take the job. And it is quite true that if any considerable part of an industry is controlled, either through obsolete methods or obsolete equipment, that efficient people can make a great deal more than they would otherwise think they dared to make.

Mr. FULTON. And would so bid?

Mr. CARMODY. I think I am violating no confidence when I say that I understood Mr. Currier to say in my office, in the presence of several men who were with him, that his prices could be lower than they are, but they don't need to be to get all the business that he can take care of because of the inefficiency of many competitors.

Mr. FULTON. He is already \$1,300 low, and perhaps he didn't feel the necessity of going any lower.

Mr. CARMODY. I got the impression that he said he could go either up or down on that.

Mr. FULTON. But what I had in mind is that if there is an attempt to reach a maximum limitation price or cost the intent of Congress is clear at least that there should be a definite effort to keep it there by every legitimate and proper means.

Mr. CARMODY. I think you will find that nowhere in the United States have houses of this character been built for these prices, paying the prevailing wage set up in the law, and meeting all of the standards—nowhere even where there has been a great deal of so-called low-cost housing built; but it is not my information that that has been built under union conditions with standard union wages, and in our case we are required by law to compel the contractor to set up the prevailing rate as established by the Department of Labor as the minimum rate.

Mr. FULTON. By reason of the shortage of time, I wanted to pass on to just one other question, and that was that question that we referred to you the other day, of the use of oil-furnace heaters in projects in the East, particularly in Pennsylvania, where anthracite coal is readily available, and probably available at equally low or lower prices.

Mr. CARMODY. Well, I think it is fair to say there that we have followed U. S. H. A. practice to some extent in the selection of utilities, because they were already building low-cost homes in a considerable

number of places and had a trained staff. We utilized their staff to analyze utility costs of all sorts on all of our projects. We undertook in that analysis to get the lowest utility cost, having in mind protection of the tenant, too.

Now, sometimes oil is indicated, sometimes gas is indicated, sometimes coal is indicated. With respect to Pennsylvania, where anthracite is available, we have built no oil furnaces.

Mr. FULTON. And with respect to the East, where oil—

Mr. CARMODY (interposing). Well, I dare say that we will find that oil has been used in places that anthracite might reach, but I can say this, I am sure without reservation, that every type of fuel has been considered as is every type of facility considered in these analyses and in the negotiations that follow them. That goes on as a matter of routine. Now, I think there have been a few cases in which we have found that—I am reminded here at this point in the record that we have checked with the Oil Coordinator on each project to see whether or not he had objection to the use of oil in a particular place.

In other words, we have made those checks. But we have tried to see that the ultimate cost to the tenant, where that could be achieved, would not be high, and we have actually built or bought some distribution systems with that in mind.

Mr. FULTON. The committee would appreciate it if you would furnish it, within the next few days at your convenience, a set of specifications on these housing projects, indicating whether it is coal or oil.¹

Mr. CARMODY. We will be glad to do that.

Mr. FULTON. The reason is, of course, that we understand the Coordinator has been urging private housing people not to use oil and we wondered whether the Nation was itself using oil in its own defense housing.

Mr. CARMODY. Yes.

Mr. FULTON. Similarly, we would like an understanding of the question of ice against electric refrigerators, because of the strategic-materials situation.

Acting Chairman BALL. I think we will adjourn now, Mr. Carmody. I have to get downtown myself.

Mr. CARMODY. I am sorry that this question of land costs didn't come up. I understand that the committee wanted to raise a question of land cost on Clairton project, and at Centerline and somewhere in Detroit. Navarra Avenue is the name given to me. I don't recall it particularly, though I lived there a long time. There was some question about Quonset Point.

Acting Chairman BALL. There are a number of things we want to go into and we figured when you are back in town we would go into them.

Mr. CARMODY. On the land thing, while I am here, I want to say that I have purchased no land that has not been recommended to me by Tudor Morsell, who is head of the Land Division, and I hope you will inquire into Tudor Morsell's background. He came to me as highly recommended as any man that ever came into our organization. He was already employed by U. S. H. A. and had been previously employed by P. W. A. in charge of their land-purchase work. He has excellent land men in the field, and on this Clairton situation, I had him bring Mr. Stevens here who actually made the purchase and who

¹ Subsequently submitted and included in appendix on p. 2903.

dealt with the owners of the land as well as with the appraisers out there. But he can come back. I wish we might know a day in advance——

Acting Chairman BALL (interposing). How about Thursday morning?

Mr. CARMODY. Would Thursday morning be all right for Mr. Stevens? And Mr. Hovde could be here Thursday morning. He is head of the division we set up in Pittsburgh where we have 5,000 homes in some 14 projects, and then we set up an office there in order to be on top of the job and facilitate all the work from site selection through drawings.

Acting Chairman BALL. O. K. Thank you, Mr. Carmody. The committee is adjourned until 10:30 a. m., tomorrow, when we will hear Mr. Palmer.

(Whereupon, at 12:30 p. m., the committee recessed until 10:30 a. m., Wednesday, October 8, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, OCTOBER 8, 1941

UNITED STATES SENATE
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:37 a. m. pursuant to adjournment on Tuesday, October 7, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman) and Joseph H. Ball.

Present also: Hugh A. Fulton, chief counsel, and Charles P. Clark, associate chief counsel.

The CHAIRMAN. Mr. Palmer, have you been sworn by this committee?

Mr. PALMER. I have not.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PALMER. I do.

TESTIMONY OF CHARLES F. PALMER, DEFENSE HOUSING COORDINATOR, EXECUTIVE OFFICE OF THE PRESIDENT ¹

ORGANIZATION AND FUNCTIONS OF THE OFFICE OF DEFENSE HOUSING COORDINATION

The CHAIRMAN. Mr. Palmer, will you state your full name and connections for the benefit of the reporter, please.

Mr. PALMER. My name is Charles F. Palmer, Coordinator in the Division of Defense Housing in the Executive Office of the President.

The CHAIRMAN. Mr. Palmer, I understand that you had a short statement you desired to read in the record before we start questioning you on this situation. If you desire to read that statement you have permission to do it.

Mr. PALMER. Thank you, Senator. [Reading:]

First, I think it is in order before I attempt to answer such questions as you may desire to put to me, particularly in view of the testimony given to this committee last Friday, to outline briefly the responsibilities imposed on me by the President as his agent in helping to formulate and carry out the defense housing program and its relationship to the preparation of our national defense.

In June 1940, the Central Housing Committee, which is a group composed of the heads of all housing agencies of the Federal Government, realizing the

¹ Under date of November 29, 1941, Mr. Palmer submitted an additional statement to the committee which appears in the appendix on p. 2849.

critical importance and urgency of providing housing for defense workers and further realizing that no single one of the number of Federal agencies engaged in the provision of housing could do the whole job alone, but that all of the available facilities of the Government would have to be called on, unanimously recommended to the President that an Office of Defense Housing Coordination be established.

This was done in July 1940 as part of the Advisory Commission to the Council of National Defense.

Later, on January 11, 1941, the President by Executive order established the present division of Defense Housing Coordination as part of the Executive Office. The duties delegated to the Coordinator set forth in Executive Order No. 8632, which you may want to have inserted in full in the record, may be summarized as follows:

"To facilitate proper coordination of and economy and efficiency in the provision of housing facilities essential to national defense, anticipate the need for housing in localities in which persons are engaged or are to be engaged in national-defense activities, facilitate the full use of existing housing accommodations, formulate and recommend to the President coordinated defense housing programs and advise each Federal housing agency of its part in each proposed program, facilitate the execution of approved housing programs through private industry, or through appropriate governmental agencies and take appropriate steps to eliminate obstacles which impede the expeditious provision of defense housing."

Secondly, with your permission, I should like to touch briefly on the testimony as to vacancies. You know, Hitler has said that anything, if said in a loud enough voice and repeated often enough, will gradually become accepted as the truth. Lest some of the testimony before you attain acceptance for those reasons, I want to complete your record on the subject. Not only would I have been surprised if all or a great many of these projects had immediately filled up 100 percent, but I would have been considerably disturbed and uneasy about it. Such a result would have indicated that we were merely keeping abreast of our job rather than ahead of it.

As distinguished from a normal commercial venture, defense housing must seek to anticipate violent population changes and, in order to fulfill its purpose, must, if possible, be available for occupancy in advance of the need.

The workers can't come into areas until they can be housed.

It must foresee rather than await complete development of demand. Since this is so, and since the defense-production program, which defense housing must serve, is by its very nature fluid and flexible, it is to be anticipated that, until peak employment loads are reached, some defense-housing projects may show a fairly high vacancy ratio. Indeed, in some it is necessary, in order to do our job properly, deliberately to reserve some units for use by those workers whom we know will be coming into the area and who must be provided for if defense production is not to suffer. One instance of this sort (Warren, Ohio) was mentioned to you. Although this project could very probably be filled immediately if opened to other workers, it is being advisedly reserved for employees of the Atlas powder plant because their need in defense production is paramount. We expect that approximately 9,000 additional workers will come into the area as soon as certain vital machinery can be obtained.

If the committee would like, in an executive session I can give you some confidential information about the situation there, which touches upon world conditions, which it is not possible to give to you otherwise, and I would be glad to go into the details.

The national-defense program as a whole has not yet nearly attained the peak load of employment which it is expected will be reached. Some of this housing, therefore, has very fortunately been available in advance of the real need. I say to you, upon mature consideration, that when the peak load of anticipated employment is attained in each of the communities in which we have programmed defense housing, I will be pleasantly surprised if more housing is not needed. I may mention here that a subcommittee of the House Public Buildings and Grounds Committee—

consisting of 14 Congressmen—

recently completed an inspection tour of about a dozen defense housing projects on both coasts and in the Middle West as well, and I am informed that their report will corroborate this statement—

the statement being that more housing very definitely will be needed.

So much for general considerations. As to specific cases, I believe that three out of the several hundred situations before us were mentioned to you as instances in which mistakes in programming had been made.

Less than 1 percent of all the work done was brought out as possible mistakes.

These were San Diego, Calif.; Boston, Mass.; and Nashville, Tenn.

With respect to San Diego, I would like to touch briefly on the situation as it existed about a year ago at the time we programmed defense housing needs there. You realize, of course, that the Defense Housing Coordinator did not, in this case or in any other case, pick figures of housing needs out of a hat, nor does he, to the limits of his ability and the abilities of his organization, act without a careful review of all the complex circumstances that go into these problems.

When I first took office, San Diego, together with the Hampton Roads, Va., area, was the most pressing problem before us.

Incidentally, something like 7,000 houses have been programmed and completed or soon coming into completion in the Hampton Roads area, and a recent conference with all of the people in that area who had interests which might have conflicted with each other, brought out unanimous agreement that the programming there had hit it almost exactly on the head. In 12 months we have been able to solve that job down there nearly correctly. It did, I think, have an element of luck in it, but it did come through very well.

San Diego, we find, is not only the largest Pacific coast naval base, but it has very rapidly become one of the largest airplane production centers in the country. It is the home of the Consolidated Aircraft Corporation, builders of the largest type bombers, and of three other airplane companies. In addition, there are several Army establishments in the area. This creates a chaotic situation.

In fact, some people have referred to San Diego as the second Federal city, Washington being the first Federal city, because of the tremendous amount of Federal activity there.

The following excerpts from a telegram, dated August 23, 1940—

we had not been up here a month at that time; this office had been going just about a month—

written by the district director of the Federal Housing Administration in charge of southern California, will give you some idea of the situation as it was seen by experienced eyes in the summer of 1940:

"Reference my conference with Fleet and other officials Consolidated Aircraft. What they are talking about is an acute and major problem. Analysis as follows: Expect approximately 35,000 new employees in Consolidated and other local aircraft manufacturies within 1 year, at rate of about 350 per week until January 1, thereafter 600 per week. This will include at present expectation 22,000 families and 13,000 single men and would increase population of San Diego about 50 percent * * *."

The CHAIRMAN. Isn't San Diego having some difficulty with the water situation?

Mr. PALMER. Yes; I think they are now getting that licked by the help, I believe, of some of the funds from 4545.

The CHAIRMAN. Isn't it going to be necessary for them to hook on to the Los Angeles water area for them to get enough water even to meet one-half of this increase that they are now having?

Mr. PALMER. That I don't know, since I had not heard that.

The CHAIRMAN. I have been down there and asked some questions of the admiral in charge of the naval set-up down there, and he said that unless there was an increase in the water supply they were going to have to put a ceiling on the number of people who could live in San Diego, because they had to have some tremendous amount of money in order to hook on to that metropolitan water district of Los Angeles, and that is the only chance they had to get water enough to meet the prospective expansion that they are now having.

Mr. PALMER. The situation, as you say, is a very serious one.

The CHAIRMAN. I don't know whether they are going to have to join Los Angeles City or not. Of course, that would make Los Angeles spread out a little further, I guess.

Mr. PALMER. You remember when Los Angeles took a strip of land 18 miles long and 100 yards wide to bring in San Pedro.

The CHAIRMAN. I was very much alarmed at the water situation down there, and wondered if this had been considered by your organization when you were putting up this housing project down there.

Mr. PALMER. The water and sewer situation were gone into at that time very carefully, and for what we did it could be solved locally with Federal help. We analyzed that at the time we did it.

The CHAIRMAN. Proceed.

QUESTION OF FURNISHING DEFENSE HOUSING DORMITORY UNITS

Mr. PALMER (reading) :

"The expected 13,000 single men create special problems, as few would want ownership or rental housing unit complete." That is the end of the quotation.

We did not, however, gentlemen, rely upon the numerous reports that came into us from outside, but we sent out our own investigator in connection with San Diego. He reported requirements as they appeared to him, and, in accordance with our usual practice, his report was circulated among all the interested Federal housing agencies, as well as several of our consultants for comment before we made definite recommendations. That is so much for the need. That brings us to the question of occupancy, and why the 750 dormitory units are not now filled. In the first place, I am informed that the peak of the employment load in this area is now deferred until February. It is also significant that those dormitories which were furnished have been promptly occupied. By furnished, of course, I mean with a bed, a simple clothes locker or bureau, and a chair. Obviously, it is difficult, if not impossible, to rent an unfurnished dormitory.

The CHAIRMAN. I read Mr. Carmody's testimony last night, and he referred to this dormitory situation as of doubtful legality. What is your opinion on that?

Mr. PALMER. I have it all down here, and will quote the Congress for you in a moment, Senator.

The CHAIRMAN. All right; proceed.

Mr. PALMER (reading) :

Naturally, in recommending these units we did not specifically designate furniture any more than we specify, in the case of a unit designed for family occupancy, that there should be provided a sink, a stove, and plumbing equipment. About the middle of June one of my representatives, whose duty it is to check up on management and occupancy problems, visited the project, as he attempts to do with every project nearing completion, and, in accordance with our practice, held a meeting in San Diego of representatives of local and Federal agencies

interested in defense housing, including the local housing manager of the Federal Works Agency. The question of furniture was brought up, as reported in his memorandum dated June 17, 1941. Upon his return to Washington our man phoned the Federal Works Agency and called to the attention of Mr. Ziegler, of that Agency, the lack of furniture. Our records show that Mr. Ziegler stated that furniture was purchased on June 29 for one dormitory and the rest would follow. If these dormitories are furnished, as we certainly contemplated they would be, there will be no occupancy problem.

This opinion is shared by those in a position to know in San Diego, as indicated by a recent letter—

Which was unsolicited—

from Mr. John N. D. Griffith, secretary-manager of the San Diego Realty Board, excerpts from which are quoted as follows.

This is dated October 4, and was prompted by the testimony which was given here before your committee on October 3. It says:

"Recent dispatches from Washington, carried in the San Diego papers, state that John M. Carmody, Federal Works Administrator, testified before a Senate committee that many defense housing units had been built without reason because of the very great insistence of the Housing Coordinator's office.

"It seems to me that Mr. Carmody's statement is not complete, nor does he tell the whole story, the details of which are certainly known to his office.

"On July 11, 1941, according to an A. P. news release, Mr. Carmody testified before the House Committee on Public Buildings and Lands that in San Diego great pressure had caused overbuilding of housing. This statement of Mr. Carmody's was challenged by local authorities, as it was without fact; and yet he no doubt had access to monthly reports as to housing occupancy and need, if he cared to refer to them.

"We are very glad to state that from the office of the Defense Housing Coordinator we have received constructive cooperation in attempting to carry out a housing program in San Diego which was basically sound. This program provided that sufficient housing be supplied for defense workers; that private capital be encouraged to build to its full capacity; that a safe portion of housing built by the Government be temporary; the whole program based on a plan which would not only prevent overbuilding but would provide for this city a cushion against overproduction after the emergency through the use of the proper proportion of temporary housing.

"I have taken the liberty of expressing these thoughts and opinions to you for what they may be worth and in appreciation of the cooperation that your office has advanced."

It goes on there with various things.

The CHAIRMAN. Who is that?

Mr. PALMER. This is from John N. D. Griffith, secretary-manager of the San Diego Realty Board, who has been very active in all the work out there and with the defense committee as well.

Now as to the legal part of it, Senator Truman [reading]:

First, we think it is clear that section 1 (b) and section 7 of the Lanham Act give the Federal Works Administrator authority to provide such supplies, articles, and equipment as are necessary to the use of dwelling accommodations constructed by him under the act—

The CHAIRMAN (interposing). Do you think Mr. Carmody should have gone ahead and furnished these when he built them and that they would have all been occupied if he had?

Mr. PALMER. That is my opinion. I don't know whether all would have been occupied or not, Senator Truman, because you have an employment lag in San Diego. But if they go right ahead with the furnishing of them, it is my opinion that long before the end of the year, every one of them will be occupied. We found that in the temporary shelter program. We went in with some trailers there, and they were filled immediately because they had some furniture in them.

Mr. FULTON. Has the same type of failure to put in furniture been the reason why the agency known as the Farm Security hasn't been able to get rid of its dormitories in the same city?

Mr. PALMER. No. The Farm Security has furnished its units.

Mr. FULTON. Well, they aren't occupied, either.

Mr. PALMER. Not 100-percent occupied, but a substantial part of them are occupied; and there, again, is their employment lag.

Mr. FULTON. As I understand the figures on that, the Farm Security units are largely occupied by the N. Y. A. to house trainees, and they still have several hundred vacancies even though furnished.

Mr. PALMER. Well, the law says that we can provide for persons employed or to be employed in defense industries. You have in your Farm Security dormitories 926 available, and 563 of those are occupied, approximately 300 of them by trainees for defense industries and the balance by defense workers.

Mr. FULTON. In other words, then, we have only 200 defense workers in a dormitory, or series of dormitories, capable of housing 932, and nearly half of it is vacant, even when we consider the large number of dormitories being used by the National Youth training program.

Mr. PALMER. Well, would it be that the National Youth should not use these?

Mr. FULTON. I don't know as to that, but I just wondered if it is Mr. Carmody's fault on the question of not furnishing the dormitories that he had. Doesn't the fact that the dormitories by another agency which were furnished are still unoccupied indicate that he would have had difficulty getting his occupied even if he had furnished them?

Mr. PALMER. You have the question of location, I think, too. That may have something to do with it.

Mr. FULTON. Has the Farm Security dormitory program been located in the wrong place in San Diego?

Mr. PALMER. I shouldn't think so.

The CHAIRMAN. Isn't that Farm Security proposition in San Diego made up of trailers?

Mr. PALMER. There are some trailers there, but this is a dormitory.

The CHAIRMAN. I saw a trailer camp there. It looked to me as if it had a thousand trailers in it, and they all seemed to be occupied.

Mr. PALMER. There is a lag in the dormitory occupancy in San Diego.

Mr. FULTON. That would be true whether furnished or unfurnished?

Mr. PALMER. I should think so, but from the fact that all 44 of the furnished ones in the Federal Works Administration dormitories are occupied, they should continue to furnish as they have, and before the end of the year, I think, based on the information we got from Consolidated Aircraft, all of the dormitories will be occupied.

Mr. FULTON. We do now have 400 of the Farm Security dormitories unoccupied today, even though furnished.

Mr. PALMER. Three hundred and sixty-three. It is about 60 percent occupied.

Senator BALL. When was it completed?

Mr. PALMER. They were completed the 1st of July, Senator Ball. The Consolidated Aircraft now, incidentally, based on a telegram we

got recently from them, is advertising even over the radio for 25,000 more men out there. If you would compare this occupancy with the entire program in San Diego, you would find the percentage of vacancy very small, because, you see, we have 1,200 houses in there for the Navy, and so forth. The margin there at the present time is surprisingly small to me in some ways.

Mr. FULTON. Doesn't that indicate if there is such a need for dwellings, that the dormitories, even when furnished, are extremely unpopular?

Mr. PALMER. I don't think that anybody can say that a dormitory per se is as desirable as some other types of housing. There are some workers, I think, probably, Mr. Fulton, who prefer to live in private homes. They have a family atmosphere. However, we did find from the type of men who are in preponderance among the employees of the airplane industry, about 80 percent of them run from 17 to 23 years of age. Mr. Martin, over at his plant, showed that these riveters might drift from one place to another. Four or five of them will go in an automobile, for instance, and after working a few months at the Glenn Martin plant will drive out to San Diego and earn some money, and they keep shifting. So the dormitory accommodations help them.

But to return to the legal part, I think that the attorneys all agree on those two points involved that I spoke of. [Reading:]

As to the authority to construct dormitory units for single men, as distinguished from family dwelling units, both the Senate and House Public Buildings and Grounds Committees' chairmen, respectively, Senator Maloney and Congressman Lanham, apparently have settled the point on which the Federal Works Administrator stated that he had such misgivings. I note from House Report No. 142, Seventy-seventh Congress, dated February 24, 1941, in which the House committee favorably reported an additional authorization of \$150,000,000 for the Lanham bill, the following:

"The testimony given before the committee by the Coordinator of Defense Housing showed that of the net authorization of \$140,000,000, there was allocated, or in process of allocation, as of February 20, 1941, a total of \$133,871,500 to provide 33,040 family dwelling units (which includes 4,094 units for the families of enlisted men of the Army and Navy) and 2,445 units for single persons. The testimony further showed that on the basis of current information in the hands of the Coordinator, it is evident that additional public housing facilities will be needed in approximately 65 localities where there has been, or will be, a material expansion of the national defense program, in order to provide for industrial workers, including family dwelling units for approximately 44,900 families and dwelling units for approximately 1,400 single persons."

The Senate Report, No. 159, dated April 2, 1941, embodies the quoted language from the House report. The hearings before the Senate committee (p. 58) show the following colloquy:

"Senator TAFT. Can you tell us, from your report, how many units have been constructed, and how many are under construction, and how many are allotted?

"Mr. PALMER. Yes, sir; as of March 22, allocations have been made for 33,470 family dwelling units, and 2,445 single dwelling units, with the following estimated costs * * *."

Following action by the committees, the bill was passed by a practically unanimous vote in both Houses. It is clear, therefore, that this question of provision of units for single men, as distinguished from family dwelling units, was presented to the Congress and accepted by it as one of the purposes of the act. It would seem to me that such action of the Congress is conclusive in upholding the opinion of our counsel that the act permitted the construction of such units.

As I understand our counsel's position, when the point was first presented to him for an opinion, he felt that nowhere in the act itself or in the legislative

proceedings was there anything which prevented the construction of such units, and that, on the contrary, the phrase "in order to provide housing for persons engaged in national defense activities, and their families," was intended to read in the alternative, since it had been copied from the World War Housing Act under which many thousand dormitory units were provided, as some of you gentlemen, of course, will remember. In addition, our counsel pointed out that the phrase "and their families" was in sharp contrast to the phrase used in the act of June 28, 1940, and the act of September 9, 1940, both of which read "workers with families."

If you wish, we can furnish for the record a copy of this legal opinion; but as I have stated before, I feel that the action of the Congress in connection with the additional authorization last spring settles any possible differences of legal opinion.

Now, about Boston, Mass., one of the three places mentioned.

Mr. FULTON. First, Mr. Palmer, on dormitories, is it your position that we should go ahead building dormitories?

Mr. PALMER. Where needed, I think that it should be done.

Mr. FULTON. Have you recommended that in numerous instances?

Mr. PALMER. Not since we have had the funds for the Farm Security Administration to use under the temporary-shelter program. We have kept them there of a highly mobile type, demountable, which can be moved from one place to another. We have not been programming under F. W. A.

Mr. FULTON. Have you had any difficulties in connection with the dormitory program that you have decided on; that is, differences of opinion which have resulted in any delays in that program?

Mr. PALMER. Well, I wouldn't think, Mr. Fulton, that there have been any more than the normal delays we could anticipate because of lag and probably because of some differences of opinion where they might like a little different type housing. We are putting the workers in there to decant them later.

Mr. FULTON. I noticed that you recommended dormitory construction at a number of different points, and so far as I can ascertain, there is no dormitory construction at those points. I wondered what the reason for that was.

Mr. PALMER. Are you referring under the Farm Security Administration—under the temporary-shelter program?

Mr. FULTON. Yes.

Mr. PALMER. I wonder which one of those, Mr. Fulton, because we have quite a number of dormitories—Bremerton and Hartford and other places.

The CHAIRMAN. How many men will these dormitories hold?

Mr. PALMER. The total amount of the program to date of dormitory units is 11,141.

The CHAIRMAN. I mean each individual building. How many men do you put in a building?

Mr. PALMER. Usually 60.

The CHAIRMAN. Sixty?

Mr. PALMER. Yes. Then there is a recreation room and central showers. I was in one Saturday. It has been a very effective arrangement. They have some right over at Baltimore, if you care to see them.

Senator BALL. What do they cost?

Mr. PALMER. They have cost, in round numbers, about \$400 per man. They are put on leased ground, Senator Ball, so that they can be moved quickly, and if you compare the cost per man housed with the cost per man of some of the other Government housing, you will be gratified.

Senator BALL. I was interested in the cantonments that cost about \$221 for the shelter; \$1,500 for barracks that hold 68.

Mr. FULTON. That is right—for shelter housing.

Senator BALL. Just for the shelter.

Mr. PALMER. Yes; this includes the furnishings and all.

Mr. FULTON. You have individual rooms, too.

Mr. PALMER. That is right; instead of a barracks.

Mr. FULTON. Is there any salvage value in these dormitories?

Mr. PALMER. About 85 percent.

Mr. FULTON. Eighty-five percent of \$400 a man?

Mr. PALMER. Yes.

Mr. FULTON. How could we achieve so high a salvage value?

Mr. PALMER. Because, in the first place, it is on leased land, so you don't lose anything on your land. In the second place, they are demountable units. Many of them are bolted together.

Mr. FULTON. So that you think if they were moved, we would have 85 percent of the entire investment saved?

Mr. PALMER. Well, it will cost you something to reerect them, of course, which would be deducted, but from the materials in your job you would get 85 percent salvage.

REASONS FOR CONSTRUCTION OF DEMOUNTABLE UNITS IN DEFENSE HOUSING

Mr. FULTON. In general, on the demountable housing program, have you been in favor of it or against it?

Mr. PALMER. Very much in favor; I think it has been essential to the whole defense-housing program to avoid the possibility of ghost towns.

Mr. FULTON. And there would be a high salvage value, you think, on the proper type of demountable houses?

Mr. PALMER. There is no question about it.

Mr. FULTON. Some of those projects that I was referring to were more nearly demountable housing rather than dormitory projects. I noticed there were some of those that recommendations had been made on which have not been carried out.¹ Would you give us your views on those?

Mr. PALMER. They are a matter of official record, of course, between the various offices. The lag in getting the demountable housing going in some instances necessitated a change to permanent housing, because the agencies we had asked to construct the demountable housing were still lost and in something of a maze. So, in order to speed up, in the early part of the program, permanent housing was put in, and that also helped to give birth to the very highly mobile program of temporary shelter.

Mr. FULTON. Those projects in which we were interested included Portsmouth, N. H.; Manitowoc, Wis.; St. Juliens Creek, Va.; Alexandria, Va.; Orange, Tex.; San Miguel, Calif.; Charleston, S. C.; and Valparaiso, Fla. Are those all projects that you now consider should be built with permanent construction?

Mr. PALMER. I would want to check that, Mr. Fulton, because you have mentioned a great number, and Mr. Nyberg can give us that in just a moment.

I would say that wherever we have programs for the demountable type of housing, we have felt that it was much preferable and the better

¹ In this connection see supplemental data submitted by Mr. Palmer under date of October 27, 1941, which appears in appendix on p. 2886, at p. 2827 and p. 2846 et seq.

thing to do, and only after exhaustive analysis, such as the possibility of the industry expanding there or not continuing to expand and other possible absorption in the community so that that housing could be moved to some other area. We have made a very careful check with certain departments of government on how we might dispose of these demountable units after the emergency if there were no commercial market for them. In some ways I would rather see the demountable units moved to other places of Federal need instead of being put on the market, as were the cantonments and housing during the last war. If no longer needed in a certain area, they may be moved to some other place.

For example, the Farm Security Administration has made a check and tells us that in their migratory-labor problem as well as in their rural problem, they could use every demountable unit which has been put up. Get them out into the farm areas. Secondly, we have found that the National Park Service, the Interior Department, have come in with the statement that they could use as many as 7,000 of these. So I think we have pretty well licked the ghost-town possibility where we have built demountable housing.

Mr. FULTON. Then why were these that you recommended to be demountable housing put up as permanent housing?

Mr. PALMER. Well, in some instances we have permitted the change, but it was because of the terrible need, and the agency we had asked to do it were just not getting along with their demountable housing.

Mr. FULTON. You mean a failure on the part of the agency or a failure on the part of the contractor?

Mr. PALMER. I think it was a combination, but I think it was primarily that the agency went into it more from the attitude of additional research which, in many instances, I think was unnecessary, and with more of a determination to keep investigating instead of finding out how to do the job.

MULTIPLICITY OF DEFENSE HOUSING AGENCIES

The CHAIRMAN. Why is it necessary to have so many agencies engaged in this project?

Mr. PALMER. The Congress made that necessary.

The CHAIRMAN. Is that right? Then we are to blame.

Mr. PALMER. I wouldn't say you are to blame. I would say that the conditions in the country and the natural evolution have brought this condition about. For example, in 1933—

The CHAIRMAN (interposing). Isn't one of the reasons for the difficulty we are having now due to the fact that we have so many agencies working on it and none of them are fundamentally responsible for the condition, and that has caused some of the delay and some of the confusion where it ought not to be and some of the conditions that are almost as bad as the campsite construction situation?

Mr. PALMER. The choice of sites within a particular city would be the job of the particular agency which is going to do the building there, so I don't think the multiplicity of agencies would have affected that program; but I do think, Senator Truman, that the growth of housing during the last 8 years in America, having been more rapid than that in any other country in the world in a similar length of

time, coming about in a democracy, has necessarily been achieved through experimentation and trial and error.

For instance, the first housing that was done came under the act of June 16, 1933, the old N. I. R. A. We wanted to reemploy people then, so the W. P. A., under Mr. Ickes, was given some money with which to reemploy people by clearing slums. Then along came F. H. A. Then came the terrible conditions in the rural districts. And we tried to meet that as a democracy does meet its problems as they come up.

So I think that the multiplicity of agencies, while making for confusion undoubtedly, at the present time, also has helped to expedite and has helped to get housing going that would have been very difficult to get going if we were back in the 1917 era when there was no existing agency to handle housing at all.

The CHAIRMAN. What are your duties? Are you supposed to keep all these people happy and working together to get the job done, as Coordinator? Is that your job?

Mr. PALMER. I am supposed to get the job done.

The CHAIRMAN. Just what are your duties? Tell me about them. I am interested in this thing. I want to see the job done, and I want to know what the difficulty is and why it isn't being done, if it isn't.

Mr. PALMER. In my statement I will show you that it is being done and furthermore, that in the last 12 months, Senator Truman, the greatest job of public housing ever done by any country in the same length of time has been done during this coordination of all of our efforts. For example—

The CHAIRMAN (interposing). You are supposed to make these people pull together, aren't you? Is that your job?

Mr. PALMER. I am to facilitate the proper coordination and economy and efficiency in the production of these housing facilities essential to national defense.

The CHAIRMAN. Do they all cooperate with you?

Mr. PALMER. What do you think?

The CHAIRMAN. I don't think they do. That is the reason I am asking you these questions. I want to know about that.

Mr. PALMER. I think there is a lot more cooperation than there used to be. I think there is a much better spirit. I think, furthermore, Senator Truman, that it is perfectly natural when you have 10 to 12 or 13 administrators given duties directly by the Congress within their own fields, for them to feel hesitant about delegating some of that to somebody else or to take advice from somebody else.

The CHAIRMAN. It is always the policy of a board, when it is created, to begin to grasp for more power, and that is true in this organization as well as in any other, isn't it? I imagine that every one of those organizations feels that it is the one that ought to be doing the whole job. Isn't that one of the reasons that you have had difficulty?

Mr. PALMER. On the contrary, I say in many, many instances, Senator Truman, that we have had the utmost cooperation. I think there are some instances where people could assume that the person was wanting to do the whole job himself. It is a natural assumption. But if you look at the record, as Al Smith used to say, you will find that since our first money came in September, just about a year ago, when \$100,000,000 of 781 funds came to the Army and Navy—

and we didn't get the other until the 16th of October—the next \$140,000,000—we have allocated enough for 121,000 houses in this country, 6,854 trailers, and 11,141 dormitory units. Those houses are now being completed at the rate of 8,000 to 10,000 per month. The British housing program in 1938, which was the greatest direct building that any government ever attempted, got up to about 7,500 a month.

The CHAIRMAN. What caused me to ask this question was the fact that I found that Farm Security Administration down in San Diego, where you can't raise a spear of anything unless you have the water. They didn't have the water, and there was the Farm Security Administration down there, setting up a housing project. I couldn't understand why the Farm Security Administration went out of the Farm Belt to set up a lot of housing in San Diego, Calif. Tell me why that was.

Mr. PALMER. All right; it was my fault, and I would do it again.

The CHAIRMAN. Tell me why.

Mr. PALMER. Because the Farm Security Administration, if you have read *Grapes of Wrath*—and you probably have—know more about the migratory single men than anybody else in this country, and believe me, Farm Security Administration moves fast when you give them a job to do.

The CHAIRMAN. I was wondering what they were doing in the Farm Belt away out in San Diego, down in the southwest corner of the United States.

Mr. PALMER. Because of the labor. Because of their ability to handle migratory labor.

Mr. FULTON. Why are their dormitories so poorly occupied? Aren't they poorly occupied in San Diego because even after the bulk of them are taken by the National Youth, you still have three hundred and sixty-odd vacancies?

Mr. PALMER. I think you still have your employment-lag figures away behind. I would accept, based on previous performance and knowledge by Mr. Griffith and the people in San Diego, his letter that I just read into the record.

Mr. FULTON. He is a real-estate promoter in San Diego, I take it, and he says there is a need. But what I mean, if there is such need, why haven't these dormitories been occupied if they were specially designed by the agency that knew more about them than anybody else for the migratory farmer?

Mr. PALMER. If the inference is that his letter, which has been put into the record, was a prejudiced letter and that he would not be fair in his appraisal of the situation as a real-estate man—

Mr. FULTON. Isn't he a real-estate man?

Mr. PALMER. Yes; and if he were a prejudiced one, he would be trying to keep us from building things down there, and he has encouraged it and he shows that there is even a greater need, Mr. Fulton. So, I take his letter as entirely sincere. I have no reason to feel that you have a situation in the San Diego dormitories, either in the F. W. A. or the Farm Security, that would cause that to be considered a mistake.

The CHAIRMAN. That gets us around to a question on how do you arrive at the need for a housing project in a locality? What procedure

do you go through to find out whether we need a housing project or not? That is your job, isn't it?

Mr. PALMER. That is correct. The Bureau of Employment Security has a very capable statistical organization. That Bureau is used by us, together with the Labor Division of O. P. M.; the market analysis surveys of the Federal Housing Administration, F. H. A., that spends over \$300,000 per annum, specifically appropriated to it by the Congress to analyze housing needs in the different localities; the statements by local labor people, statements by the employers themselves on their labor program and probable peaks, statements from local chambers of commerce, real-estate boards, local labor interests, and all people from whom we can get an estimate on the needs in a community, together with the time. We then prepare an exhaustive locality program report. I have one here, for instance, on the San Diego situation, of five complete phases, and it is the third definite analysis of the San Diego situation.

It gives the type of housing to be built, the industry for which it is to be used, all the factors, including the employment load here, the industries in the city, and the rents to be used, and so forth, and the present vacancies in the town; that is then circulated for a period of 2 weeks to all of the Federal housing agencies and many people outside, like the National Resources Planning Board, who have their men in the field, and Mr. Paul McNutt's group that has the Bureau of Education, Public Health, and the Surgeon General, and so forth, for their comments. They return it to us, and say that looks sensible to us, or it is off base, or we think so-and-so. The composite view is then developed.

That is then signed by the regional coordinator of our office, by me, and transmitted to the President as the basis for the findings. There is a special investigation of each instance where there are conflicting opinions, and we have in many cases had hearings, either in Washington or on the ground, on the needs that would be developed. We have one of those, Senator Truman, on every one of the localities.

BOSTON DEFENSE HOUSING PROJECT

The CHAIRMAN. Then what was the basis of turning that slum project in Boston over to defense housing, the distance it was from the defense plants? I read in Mr. Carmody's testimony yesterday, and I got very much interested in that Boston situation. I want you to tell us just exactly the reason, the why and wherefore of it.

I am interested in it. I can't understand why you put a defense housing project down in the slums of Boston, so far away from the points of contact where it is needed. Tell me why that was.

Mr. PALMER. I think that the occupancy figures of that project speak better for why it was done than anything else. I have here a very full report from the Boston Housing Authority as of October 3, 1941, which shows that 813 of the 873 units are now leased. Eight hundred and thirteen out of eight hundred and seventy-three units are leased. Of these, 256 are employees of the Fore River Shipyard and 449 are navy-yard civilian employees. It was for these people that this project was purchased.

Mr. FULTON. Was it purchased for the navy-yard employees and not for Fore River?

Mr. PALMER. It was to house and meet the defense needs there. There was, Mr. Fulton, a lot of pressure of almost a hysterical nature brought on from the Quincy area, Weymouth, and places like that in the summer of 1940.

Labor said, "We must have a whole lot of housing in Quincy."

The local people said, "We don't need it."

So we got them all down here in Washington and had a long hearing. We found that in the last war the Quincy area was badly overbuilt and their houses there lay vacant and the town had a very bad slum. We further believed that the situation in Quincy with the Fore River shipyards was a different situation than the situation around the Hampton Roads area, because in the Hampton Roads area you have a servicing operation where a two-ocean navy will probably be in and out of there for a great many years.

Quincy was just an expansion on shipbuilding; so if we built housing right in Quincy for the demand on one side, they said it is going to be tremendous, and on the other side they said it was not necessary, that we probably would have a ghost lay-out there.

We looked around to find how the thing might be solved so that if there were the expansion in Quincy they would be taken care of; if there weren't the expansion in Quincy, it could still be very definitely used.

So we suggested, after the U. S. H. A. had written us letters about the question of using Lanham funds for the purchase of projects, that the Federal Works Administrator investigate this and make up his own mind on it. He did that, and he made up his own mind, and, I think, made a very wise decision—to take over that project instead of building new ones.

Mr. FULTON. Mr. Carmody's decision was, then, to buy the Boston slum-clearance project?

Mr. PALMER. What is that?

Mr. FULTON. You mean, then, that it was Mr. Carmody's decision to buy the Boston slum project instead of to build?

Mr. PALMER. It was entirely his idea, of the Federal Works Administration. We advised him and told him that we thought he should look into it, and if it looked sensible we believed that it would be a good thing to do. It was not our decision to make.

Mr. FULTON. He testified the other day, as I understood it, that he never did think much of that project.

Senator BALL. He said that there was a tremendous pressure on him to buy it.

Mr. PALMER. That is a question of interpretation. But I think that you will find the decision made there was a very wise decision, and I will show you further reasons for believing that.

The CHAIRMAN. That is what I want you to do. I am interested in that.

Mr. PALMER. It was for defense workers. This report further shows that we have 813 out of 873 units occupied, and that a total of 2,828 applications had been received, and they are being received in increasing numbers for that job. Mr. Colton just called to my attention, Senator Truman, that the locality program report at the time it was programmed even specifically said that it would include the navy yard in Boston.

Mr. FULTON. By that do you mean that you found that there was a shortage of housing in Boston?

Mr. PALMER. The needs were occasioned by the rapid, terrific expansion taking place in the localities for the defense activity in the localities. There was a United States Reserve aviation base at Quincy, naval hospital at Chelsea, navy yard at Boston, Bethlehem Steel Corporation down at Quincy.

Mr. FULTON. I mean the town of Boston.

Mr. PALMER. Oh, no; the town in Boston had vacancies, but you had the idea of getting people in and out when you are right in the Boston congested area, to get them across town is another job, as you know, in Boston. But from Quincy up to the Old Common project you find that you have a straightaway road where they can get back and forth without getting into these bottlenecks. The situation in Boston at that time, from your locality program, shows that present vacancies, about 11,000 in Boston and the city of Quincy, do not completely meet the need, because the rents are higher than the personnel to be housed can afford to pay. You know you have a high percentage of sub-standard stuff in Boston, too.

Mr. FULTON. Then I take it you think there is a defense housing shortage in Boston.

Mr. PALMER. What is that?

Mr. FULTON. Then, I take it you think there is a shortage of housing in the city of Boston.

Mr. PALMER. Defense housing appropriate for the defense workers was recognized at the time this program was made.

Mr. FULTON. And that it is the housing of such acute nature in the sense of the shortage that it would be desirable to turn over slum-clearance projects in Boston for that housing.

Mr. PALMER. Correct, as is demonstrated by the record that it is being occupied by them and that there are a great many applications in excess of the facilities.

Mr. FULTON. Now, with respect to other possible places, the committee had an investigator there and they noted that there is a very good section in which you could build housing in Weymouth, Mass., that is only one and a quarter miles instead of nine miles from that Fore River plant, and on further investigation found that there was a tremendous amount of opposition by local real-estate people to building anything in the Weymouth area.¹ Have you heard of such opposition?

Mr. PALMER. Yes, indeed.

Mr. FULTON. Was that why we bought the slum-clearance project in Boston instead of building a mile away from the Fore River plant in Weymouth?

Mr. PALMER. All that testimony came in, Mr. Fulton, after this was an accomplished fact, but also there has always been a question of what could be absorbed in North Weymouth after the emergency if you did build new housing there now. You know in the Boston area that you can absorb the slum-clearance project.

Mr. FULTON. I don't know. It occurs to me that maybe if you can travel 9 miles into the city to live in the middle of the slum, you could travel 9 miles from Weymouth into the city to work.

Mr. PALMER. Have you ever been in this project?

Mr. FULTON. No.

¹ In this connection see additional statement of Mr. Palmer which appears in appendix on p. 2826.

Mr. PALMER. It is not in the middle of a slum. It is one of the best looking jobs there is.

Mr. FULTON. Wasn't it in the middle of a slum area?

Mr. PALMER. Yes; there were some areas removed there, but my recollection of this job is—I have seen so many—that it is right on the edge of a park and everything else. They come right up a broad highway to it. The fact that it is being enthusiastically received and away oversubscribed, I think, is answer to any question of uncertainty when you have over 2,800 additional people wanting to get in it.

Mr. FULTON. It still isn't being enthusiastically received by Fore River occupants, because in your figures even today there are only about a third or less of the occupants from the Fore River plant.

Mr. PALMER. That is true, which indicates that they are finding their housing closer down there, and we have had no abnormal labor turnover in the Fore River shipyard for lack of housing, and it shows that it was well not to build it there.

Mr. FULTON. Then, you mean that the finding that there was a necessity for housing by the Fore River plant has turned out to have been a mistake?

Mr. PALMER. No.

Mr. FULTON. Because—

Mr. PALMER (interposing). We have 250 men housed there, but it is only 1 out of 5 or 6 industries.

Mr. FULTON. We didn't need the 900 that we thought we needed, is that it?

Mr. PALMER. I think we are going to have to have more because they have planned to put about 3,000 more employees on at Quincy. We are watching it very closely.

Mr. FULTON. But you still think that we don't need that project at Weymouth for only 177 units despite the fact it is only a mile away from the plant.

Mr. PALMER. Well, the 177-unit thing came up largely because we had programmed 1,200 units for Boston. When this project was bought it didn't entirely exhaust the allocation. So the F. W. A. bought additional sites. We asked them to defer action for a while. We may have to request them to go ahead again if this expansion takes place.

Mr. FULTON. Are we giving unusual consideration to the feelings of the real-estate agencies in Weymouth, because that does seem, from the report I have, to be an exceptionally good location? It is near churches and schools. It is in between two or three defense projects. It is definitely nearer than that slum-clearance area.

Mr. PALMER. What about its continuing need, if you have a great contraction in shipbuilding?

Mr. FULTON. Well, there, again, if you have such a good road into Boston, why couldn't you travel in as well as out of Boston, just as people have done for many years?

Mr. PALMER. Well, I don't know whether Weymouth is on that or not. If you have your contraction, you will also have your reabsorption of the slum-clearance job by the people in the lower-income brackets. I think this, Mr. Fulton, that the whole situation there is still in such a state of flux that we are going to have to put more housing into that area, and in our records I don't think you will find in

any instance we have been unduly influenced by either real-estate interests or by labor.

Mr. FULTON. Well, the real-estate interests in that town make no secret of the fact that they have been opposing that, and are going to continue to oppose it.

Mr. PALMER. They are not alone in it. They are doing it in a lot of other cities, too. I think one of the best indications of what happened was up in Pittsburgh, for instance. I am taking these figures out of my memory, now, but last year, I think Pittsburgh did about 2,500 houses by real-estate men. That was all in the Pittsburgh area. We made an analysis of the expansion of employment in that area. We found that 15,000 houses were needed during the next 12 months with that big Homestead plant expansion and all the steel that was going to be made in Pittsburgh, and no chance to switch over the way there was in Detroit from automobile production to defense production, because steel is steel, and they just had to keep expanding. We came out and said that there should be 5,000 publicly built houses, pretty nearly double what they had built the year before, and that 10,000 ought to be built by private enterprise. Private enterprise just hit the ceiling, of course. They thought that that was a very extravagant program. At our invitation, the representatives of the private interests, representatives of public housing, and of labor came to Washington, and we spent a full day on it. They all agreed 100 percent on 5,000 houses for public housing to go in there, and they are being built now. I mention that merely to show how these conditions are around the country, after you get down to the facts with the people across the table, and in a miraculous number of instances we have been able to get general agreement.

Mr. FULTON. In this particular instance, then, Mr. Palmer, the Government paid over \$45,000 for the land 6 months ago, and the project has been lying idle, and, as I understand it, the Government isn't even collecting rents from the people that occupy the houses they are already in.

Mr. PALMER. That is something I wouldn't know because it would be a matter of internal administration in the agency that owns it. I think there will have to be something done there. It may be the site will be used.

Mr. FULTON. Why did we pay \$45,000 to acquire 2 acres only a mile away from the plant, the Fore River plant, and then stop work on it? Was it due to these select men, or is there some other reason that we first acquired it and then stopped it?

Mr. PALMER. Let us check that. I have certain recollection myself, but I would rather get right down to the bottom. And I think probably we can give it to you in a moment.

The CHAIRMAN. I would appreciate it if you would. That report was made to us by our investigator.

Mr. PALMER. We will get the facts on it from the record.

I have been informed that the Boston Housing Authority has requested permission to appear before you and give you firsthand information with respect to this situation. I understand that the housing authority has exercised great care in accepting applications so that only those in most urgent need are admitted, because the Fore River shipyard has yet to employ 3,000 men to attain the peak load.

I make these unequivocal statements to you. That occupancy is climbing rapidly and is very satisfactory. That any delay in obtaining 100 percent occupancy is

due to the great care being taken by the Boston Housing Authority to avoid occupancy by other than the most urgent cases. That the location of the project in relation to the defense activities in the Boston area is good.

The housing situation in this area was handled by the purchase of this project because it was clear to me that the situation did not warrant the construction of a defense housing project in Quincy which would have been sure to result in a bad situation after the emergency. In my opinion, the wisdom of this decision is amply proven by the fact that at the present time there is no serious housing situation in Quincy; and, on the other hand, there are many applications in Boston so that this project will always be useful and after the emergency may be readily adapted to the accommodation of slum dwellers.

A question was raised about Nashville, Tenn. Based on quick expansion—you know, Mae West used to sigh something about “How am I doing?” I am glad you asked that question. I am awfully glad they brought up Nashville, especially because it is a perfect example of how fluid we have to keep this program.

Based on quick expansion by the Vultee Aircraft, which planned to expand by 7,500 men, we programmed 300 additional homes and 450 trailers for temporary shelter. That was last spring.

The Vultee Corporation completely reversed its employment policy on pressure from O. P. M., and so forth, and because it was the thing to do, and instead of bringing in this great load they went into subcontracting. It was too late to stop the trailer program and some of the housing.

The CHAIRMAN. That is exactly what we have been trying to get them to do. I am glad somebody has awakened to the fact of the necessity of it.

Mr. PALMER. Exactly, but they have raised hell with us.

The CHAIRMAN. Naturally, when we have so many. This thing is so big that when you help one fellow you step on somebody else's toes. But I think it was better to raise hell with you and get the fellows to stay at home and work there in home plants.

Mr. PALMER. Ordinarily I don't like to have anybody raise hell with me, Senator, but I was glad they did in this instance.

The CHAIRMAN. I think you would, too.

Mr. PALMER. When I said “raised hell,” I meant we had to change that program. What we were able to do, because of the temporary shelter, we canceled the additional housing right away; fortunately it hadn't got under contract, and we removed the trailers to another area, where they could be used. Now, the instance demonstrates the flexibility of the defense housing program to meet these ever-changing conditions, and it is summed up this way: That we have to have flexibility. As the war front abroad changes, so must we change our own defense effort here in America. It is a day and a night job. By “night” I mean night—working day and night. And housing is a very important part. We can't be right every time, in the hundreds and hundreds of localities where defense housing is essential to defense industry production. But the percentage of error in this tremendous and constantly changing data on jobs is materially less than even I dared hope. In fact, the chairman of the congressional subcommittee, who has just returned this week from a coast-to-coast inspection trip of defense housing, said to me yesterday, “They considered the job to be 95 percent perfect,” and added, “That is miraculous.”

Gentlemen, we don't want to brag. We think we have had luck. But the 120,000 houses are serving a real need. If we compare what

has been done in this war with what was done last time Uncle Sam has been away ahead of the game, in anticipating the need.

Mr. FULTON. As to the 5 percent, what are the examples there, and are they due to a lack of need or are they due to the building by some one of the wrong kinds of housing?

Mr. PALMER. Maybe the 5 percent were Republicans.

Mr. FULTON. What projects are included among the 5 percent that you refer to?

Mr. PALMER. He didn't specify. The thing he jumped on mainly—he will tell you about it himself—was one type of specification on a prefabricated job, and that was about all.

Mr. FULTON. What would you include among the 5 percent, if you were including the projects that you regret having seen built today? Are there any?

Mr. PALMER. There are some of them where, I think, the citizens were put too far away, especially in the Army program, for the needs of the Army at the present time. The objective was a worthy one, to integrate some of those jobs into lasting communities, but it has made it very difficult on some enlisted personnel getting back and forth. I think that if demountable housing had been used there close to the Army posts it would have been better.

OCCUPANCY STATUS OF DEFENSE HOUSING PROJECTS

Mr. FULTON. What are some of those projects that you have had these doubts about?

Mr. PALMER. I should like to give you a list specifically of them, Mr. Fulton, for the record, instead of trying to do it extemporaneously.¹

Mr. FULTON. For example, I note in Miami, Fla., that there are 100 units and the house project manager reports that there is only one occupied, and that there are no eligible occupants to fill the remaining 99. But they think there might be a need by April 1, 1941.

Mr. PALMER. That is worse than Ivory soap. Ivory soap is 99 percent pure, and this is only 1 percent pure. What is this—Miami?

Mr. FULTON. Miami, Fla. Your report indicated a need by April 1, 1941, and as of the present time we were informed there is 1 occupancy in 100 units.

Mr. PALMER. That is exactly in accordance with our figure here. I should like to get the reason and give it to you.

The CHAIRMAN. I should appreciate it for the record.

Mr. FULTON. And at San Rafael, Calif., the housing manager says there is little demand for any of his units of the 70 occupied and 175 available. Is there any special reason for that?

Mr. PALMER. It is an Army job. My remembrance of some of those is that bringing in their enlisted personnel has changed in some of their training periods. It is my impression that that is what it is—just like one that we have had trouble with in Long Beach, where the Navy kept the fleet out a lot longer than they had anticipated. But we would like to do this, if you don't mind, Mr. Fulton, because I can't carry all these things in my head; if you will give us a list of any spots, we would like to give you a comprehensive written report on the facts.

¹ See appendix, p. 2826, at pp. 2827 and 2844–2846, for additional data on this subject. See also p. 2848 et seq.

The CHAIRMAN. We can give you a list of several spots here.

Mr. FULTON. Riverside, Calif., the housing manager states that the need has been overestimated; that 19 are occupied out of 150 available.

West Palm Beach, Fla., 59 units out of 150 are occupied. The project was intended to house Army personnel at Morrison Field. The delay in occupancy is described by the housing manager as being caused by an overestimate of need. As of September 29, there are 3 eligible applicants to fill the remaining 91 homes.

Columbus, Ga., 259 units out of 350 available are occupied. For Army personnel at Fort Benning, there are 30 eligible occupants to fill a total of 91 unoccupied homes.

Mr. PALMER. I happen to know of that instance. That will be over-subscribed a great many times.

Mr. FULTON. I see. The housing manager, however, said he had only 30 who would be eligible to go into that.

Mr. PALMER. You see, the expansion in that whole area is continuing very rapidly.

Mr. FULTON. And Bossier City, La., 24 units occupied out of 130, and the housing manager reports that there are 15 eligible occupants who might take up the 118 unoccupied houses. At Havre de Grace there are 61 units available—I mean 61 units occupied out of 232—and he has only 56 eligible applicants for the remaining 171. And there are a number of other projects—Wilmington, N. C.; Warren, Ohio; San Antonio, Tex.; Langley Field; and there are others of lesser character.

Mr. PALMER. We would like to get a complete list from you and give you an actual report on each one of them.¹

The CHAIRMAN. We will give you those.

Mr. PALMER. It happens that the director of our managing division is up in New England today or he would have been here and report to you.

The CHAIRMAN. There is another thing I am interested in. Is there any coordinated attempt at management for all?

Mr. PALMER. Oh, yes; we have what is called the locality occupancy program. All of the agencies in an area, such as the Hampton Roads area, where we have the local housing authority, Farm Security Administration, Navy, Defense Homes Corporation, and Public Building Administration, have their managers get together in a meeting that we call at that place. They submit the different rental scales, the way they are going to take applications, what industries they are closest to and would best serve, and where they would give preference, and so forth.

The CHAIRMAN. What I am getting at——

Mr. PALMER (interposing). That is all agreed upon and coordinated.

The CHAIRMAN. Is there competition between them?

Mr. PALMER. That is eliminated. There is some, but a great part of it is eliminated.

The CHAIRMAN. How do you arrive at these rental charges?² I have a list here that shows rental charges in, I believe, Maine, at the Portsmouth Navy Yard. The civilian pays for one bedroom, \$25 a month; two bedrooms, \$30 a month; three bedrooms, \$35 a month. The enlisted third-class and below, pays \$11, \$13, and \$15 for the same

¹ See footnote on p. 2401.

² Subsequently submitted, see appendix, p. 2826, at pp. 2828-2836.

thing, and the enlisted second-class and above, pays \$21, \$23, and \$26. Is that on account of the income that these people have and can afford to pay?

Mr. PALMER. That is correct. The Congress, in the law, said that the rents will be those that are fair and that the defense worker can afford to pay. The rents to the families of enlisted personnel will be based on a comparison between what the commutation of quarters would be.

For example, your enlisted personnel of the first three grades have a rent usually that runs between \$11 and about \$23 to \$26 per month. Some of them only get about \$60 or \$80 a month, so the rents are fixed in accordance with what they can pay and yet be housed in the project. The rents to defense workers, where they go from \$23.50, \$26, \$31.50, and so forth, are based on the general income in that industry, and the rent is now attached to the house. There was a time when quite a complicated approach was being explored on the whole rental scale to carry out the Congress' law on what they could afford to pay, to make it a percentage of income. Their income might vary to such a degree that, in general, that approach is being used very seldom. The main one is a fair rent on the dwelling unit itself.

Mr. FULTON. Does the statute provide for setting up income classifications and charging one worker more or less than another for the same house?

Mr. PALMER. It says that it must be what the worker can afford to pay.

Mr. FULTON. And by that do you mean that the rents should be allocated in accordance with the income of the individual?

Mr. PALMER. In general, it must follow that.

Mr. FULTON. When you are building 70,000 or 80,000 units, you are distinctly disturbing the ability to determine what a man's wage really means if, for example, you have all these differences, you have a difference in rent, you have a similar difference in the cost of food, and otherwise we would have about twenty different dollars. It would be very difficult to ascertain the true value of a wage unless you went into all these other factors, would it not?

Mr. PALMER. Well, of course, the purchasing power of the dollar would enter into it. There is no other way that we know of except to relate it to the needs of the worker, and I think the Congress was very wise in putting that into the act.

Mr. FULTON. I don't see that it is in the act myself. I just wondered why you thought it was.

Mr. PALMER. The Lanham bill specifically says—this may not be exactly the wording, but I will get it for you—that the rents shall be fair and what the defense worker can afford to pay.

Mr. FULTON. But that doesn't say it should be one thing for one man and another for another man in the same plant.

Mr. PALMER. Well, justifiably, if we are asking a man to come into an area and give of his own time and his own skills, and he has to have his family there, and he is paid maybe \$30 per week, he can't get housing in the private-enterprise market that would take care of a house with two or three bedrooms. The whole thing is based on whether defense would suffer for lack of workers to produce that which we need in defense.

Mr. FULTON. Yes; but now take these 3,000 men in, say, a given navy yard, only 300 of whom are going to live in the housing. You

have one man getting \$30 a week and paying for his private house. You have another man getting the same \$30 a week and getting a better house. Now, the two men with the same wages are supposed to be earning the same thing at the same bench in the same plant, but there is quite a difference in the true wage that you are paying those men if you have this kind of allocation.

Mr. PALMER. In the tenant-selection policy the man who most needs the house is chosen first. There might be a man living in an area with a house maybe not quite so satisfactory as one which would be rented to an incoming worker, but the incoming worker might not come in at all if he couldn't get a house.

The specific language, Mr. Fulton, was even more in favor of rents in accordance with what a person can afford to pay than the choice of words I used, because section 7 of the Lanham Act states:

Provided further, That the Administrator shall fix fair rentals on projects developed pursuant to this act, which shall be within the financial reach of persons engaged in national defense—

Which would be within the financial—

Mr. FULTON (interposing). You construe that to mean that we should have a half dozen different rents, depending on different classifications, for the same dwelling?

Mr. PALMER. It needs to vary with a half dozen rents—

Mr. FULTON (interposing). As a matter of fact, it is more than a half dozen. It is nine different rents for the same house.

Mr. PALMER. Well, I would take them in the categories where you would have your rents for your enlisted personnel. That is what I would call one category. Then you have a whole scale in your enlisted personnel and you have different ranges among your defense workers themselves. What would you suggest as a substitute? We would like to know. I think it is complicated. I think it would be desirable to simplify it if you have any ideas on it.

Senator BALL. Haven't you abandoned this idea of trying to tie rent directly to income?

Mr. PALMER. Yes; we have.

Senator BALL. So that you are fixing the rents for the various classes.

Mr. PALMER. That is right.

Mr. FULTON. You have your own substitute now, is that it?

Mr. PALMER. Yes.

The CHAIRMAN. Will you furnish that substitute for the record?¹

Mr. PALMER. Yes; we will be very glad to do that.

The CHAIRMAN. We have here a list that shows annual income \$700 or \$800, \$13 monthly rent; \$800 to \$1,000, \$14; \$1,000 to \$1,200, \$17.

Mr. PALMER. That is no longer in effect, Senator, and it took us some time to get the minds of the different agencies together, and we will put that in the record.¹

The CHAIRMAN. I would appreciate that.

Senator BALL. Mr. Palmer, have you ever made a study of one of these completed projects fully occupied as to how many of your occupants moved out of private housing, because your rents are below the prevailing level for the same caliber housing? They are not economic rents. I would rather think they are at least five or ten dollars a month below what the same house in private hands would rent for.

¹ See appendix, p. 2826, at pp. 2828-2836.

Mr. PALMER. It might be helpful, Senator Ball, if we also put into the record the sequence in which tenants are selected.¹ For instance, the worker coming from the farthest distance, who probably wouldn't come any more if he had to commute 3 or 4 hours back and forth, is the worker given first preference, so that he may bring his family and become a worker substantially remaining in the district. The next one would probably come in from, say, our temporary-shelter program as soon as the permanent stuff is done or the demountable stuff is done, so that we can move the trailers to another place. We can give you the sequence of choice, and we can also give you, definitely, because the applications show it, whether they come in from private housing or whether they are within the area, and whether these compete with private housing.

The fact that the National Association of Real Estate Boards and other active interests in private housing have passed resolutions and also act as advisers to us would indicate that there has been very little of that. They have passed resolutions commending the way the private industry has been cared for.

Senator BALL. I would like to get that kind of picture as to how much this is simply pulling away from inferior private housing, probably at higher rents, and it would seem to me that in a program like this, where you are going to run up against a terrific problem when the emergency is over of utilizing or salvaging any of this, we should avoid that wherever possible.

That leads me to another question. We have talked here about errors that are bound to come into a program like this. So far they have all been on overestimating the housing needs, whether or not occupied. Have you run into any situations where you have underestimated the need, where there is a defense industry suffering because of high labor turn-over due to a shortage of housing?

Mr. PALMER. We have no such evidence. We are on top of some of them, where we will have trouble if we don't get some more housing in there fast. We did find in two places—Vallejo, Calif., where the Mare Island shipyard is, and at the Maritime Commission's job down at Pascagoula—that they were having a very high labor turn-over there until we got the housing in. The Mare Island situation is not entirely licked yet, but there will be 1,695 houses that will come into the market there within the next 60 days to take care of that pretty well.

Senator BALL. I realize that it would be pretty hard to estimate that end of the picture now, but it would seem to me that if this program is run the way it should be run your percentage of errors where you have underbuilt probably should exceed those where you have overbuilt, because we certainly ought to be conservative in estimating these needs, because the chance of getting much of the Government's investment out of it looks to me pretty slim.

Mr. PALMER. Well, Senator, in the World War, the last time, for instance, there were some places where the labor turn-over was over 1,000 percent, and there were some places where plants built to cost several million dollars were never opened. Basically we have proceeded on the hypothesis that it would be better for us to be there too soon—as Nathan Bedford Forrest said, "Get there fustest with the mostest men"—and maybe err on having a little too much housing there, with it, maybe, costing a little more than it should—I am a businessman

¹ See appendix, p. 2826, at pp. 2827 and 2836-2837.

and I hate like the devil to see a thing like that happen, and I am a modest taxpayer—than to save a little money, possibly, and have a ship, a warship or something like that, not get ready in time and possibly have it contribute to the weakening of our defense. Basically, I should think that that is the way we should approach it, although so far we have been able to hit it pretty much on an even keel.

Senator BALL. I would be inclined to disagree a little on that—that it would be better to be pretty conservative on estimating it.

Mr. PALMER. I think you will find that we have. There may be one place where information, if you review it and recall it to your minds, on what will be needed after the war would give you a chance to feel not quite so apprehensive as to what would happen to the housing that is now being built. For instance, there are only 125,000 units now in the works under this direct program; that is, for every house being built by Government about 4 houses are being built by private industry. So if we examine what the condition is in the country, with a probable backlog of need after this war, together with the fact that we have a mobile type of housing in these demountable housing units that we didn't have before, there is reassurance.

For example, from 1900 to 1933 the entire United States—private industry—never built less than 200,000 houses per year. In 1912 there were, in round numbers, 500,000 nonfarm houses built in America. At the trough of the World War we got down to about 200,000. In 1925 the non-farm-building construction got up to over 900,000. What did it hit in 1933? It is almost incredible. Nothing like it had happened in over half a century. In 1933 we built only about 50,000 non-farm houses. In 1934 we built about 60,000. In 1935 we built about 72,000. Last year we built 545,000.

The result, Senator Ball, is that there is a terrific backlog of need there. I believe that all housing construction at the present time, both private and public, should be kept to a minimum at present in order to have this great backlog after the emergency to reemploy the men, because when we have a dislocation of about 15,000,000 people having to reintegrate themselves into a peace economy, there is going to be work for everybody. I think the housing job can do the biggest part of it if we will withhold every bit of it we possibly can now. But when it comes to defense, I think we must err on having a little leeway for more workers than necessary than on having for less workers, because defense can't slow up in this world chaos.

Mr. FULTON. Mr. Palmer, is it your expectancy to try to sell most of these houses to the public after the emergency has passed?

Mr. PALMER. I think that they must be disposed of in the public interest, as the act says. Whether that means selling them for dollars or whether, in some instances, it means permitting the communities to take them over for some nominal sum to raise the standard of living of the lower third, which needs help so much, I don't know; but these must be disposed of in the public interest.

Mr. FULTON. And unless they are so disposed of, the entire cost would be a cost to the defense program, I assume.

Mr. PALMER. That would be added to the cost of that.

Mr. FULTON. In that connection, it becomes very important to keep the cost down as low as possible. Are you familiar with the testimony of Mr. Currier and of Mr. Carmody yesterday with respect to the situation in Wayne, Mich.?

Mr. PALMER. I have not gone over that at all, Mr. Fulton.

Mr. FULTON. Have you had any part in that contract?

Mr. PALMER. It is entirely without my sphere.

Mr. FULTON. Have you made any investigation by which you could tell us one way or the other whether you think that Mr. Carmody was right in saying that hundreds of dollars could be saved on houses by doing more of the work in milling and other establishments?

Mr. PALMER. That is self-evident. It is my considered opinion that technology has progressed so that the housing built after the war, when we can bring all of our talents to it, will be produced with ever-increasing greater efficiency and lower cost. Here is one evidence of it: The housing built with the \$190,000,000 which were made available toward the end of the last war, which was mostly completed after the armistice, was very good housing for that time. It had a different material on the facade of it; the rooms were somewhat smaller than the room sizes now being used; the cubical content of the present defense housing is considerably greater; and, of course, it is natural that the mechanical devices, such as the stove, refrigerator, sinks, and all, are better, and the plumbing is better. Even with the bigger houses, more livable houses, and better mechanical equipment today, the costs are only about two-thirds of the cost during 1917 and 1918 of the housing which was built then. I think, furthermore, that the present costs, when they get into line production, which is inevitable, just as better machinery was inevitable during the industrial revolution, will cut those costs about another 30 percent.

Mr. FULTON. If it is inevitable, why haven't we done more of it to date?

Mr. PALMER. There has been a great deal of fumbling, and then there has been resistance by certain trades. It is natural for those trades to resist improvements which increase unemployment, even though that unemployment may be for a temporary period only. History shows that. I think that the integration of the prefabricated house should come about into our economy in a way that would give the least disruption, but it must be recognized as a factor, just as we recognize this factor of obsolete building codes, where there has even been collusion, as Thurman Arnold has brought out, in some cases between labor and the building authorities, and in some instances between the producers of certain gadgets and patented articles. They must be revised.

Mr. FULTON. You mean by that, that the building codes, with their present restrictions, require a house to be constructed in some areas in such a way that you cannot take advantage of technological improvements in design of housing?

Mr. PALMER. Well, for example, I happen to know of a man who built a garage within his own house in a certain city. The garage was made of haydite block, which is a block that is not inflammable. It had a concrete floor, a concrete roof, and was concrete on the outside. The wooden doors were hung on steel hangers. The building inspector notified him that he would have to lath and plaster the inside of that noninflammable garage because the building code said he had to. He told the building inspector to go jump in a lake—that he wasn't going to do it. The building inspector got out of it by coming around and saying, "Well, when you get a little more money,

maybe you can do it then," and he left it alone. There are certain things like that, but they are not prevalent in all cities. I think building codes are very necessary and very essential, but some of the bugs must be taken out of them, and when they are taken out, there will be greater efficiency. For instance, I can tell you of an electrical code in one city where, in order to plug into a baseboard with a certain machine, you have to have an electrician do it, and it is absolutely no different from plugging in your electric razor in the morning, if you use one.

Mr. FULTON. And it is things like that, as well as the situation that Mr. Currier and Mr. Carmody were referring to, which you think ought to be revised.

Mr. PALMER. There is no doubt of it, and I think all of this should be brought about with a mutually cooperative spirit. I think that many of the abuses are definitely recognized by labor now. The defense program in the emergency has brought a lot of recognition of such abuse in the past that has always been covered up before. They are seeing it now and becoming alert to it.

Mr. FULTON. Would you furnish the committee with a report on those things and on the manner in which you are counteracting them?

Mr. PALMER. Definitely. We will give you a revised plumbing code that cuts pretty nearly 50 percent of the metals now used in certain standard codes in various cities that was worked up by the Bureau of Standards and various people and is now being used in many instances.¹ There are 1,800 separate building codes separately administered in the United States today.

Mr. FULTON. Have they been causing difficulty to you in your housing program?

Mr. PALMER. No; because under the Federal set-up we do not have to follow those codes, but they have been quite restrictive sometimes in private industry and F. H. A., whom we have been helping a great deal.

Mr. FULTON. And with respect to the craft situation, has that been an added expense to your buildings, such as plugging in that electrical device, and otherwise?

Mr. PALMER. There is no doubt that there are certain practices among the building crafts now that add unnecessary expense to building.

Mr. FULTON. And would you adopt more central milling if you could?

Mr. PALMER. They are doing it themselves right on the jobs.

Mr. FULTON. So it is really a matter of difference of degree rather than of kind.

Mr. PALMER. Very well stated, Mr. Fulton, very well stated; yes.

The CHAIRMAN. I want to ask you about priorities. Are you having any difficulty in your housing program with priorities?

Mr. PALMER. Well, the amount of critical materials available for the construction of defense housing, both private and public, we believe to be adequate for the immediate future. We believe that the curtailment of construction will be considerably less than in any similar emergency we have had in the past. It is a complicated thing to get set up, though, Senator.

The CHAIRMAN. Have you a system of your own?

¹ See appendix, p. 2826, at pp. 2827 and 2838-2843.

Mr. PALMER. We have a system. Within the last 2 weeks we have opened 20 offices in the field where we advise between F. H. A. and O. P. M. on how to go forward. F. H. A. has 72 field offices, and they take the application for priorities from any lending institution or individual and give us merely the facts along certain lines that we have outlined. They analyze the specifications, because they are already set up to analyze specifications, and tell us whether there is an excess of critical materials in the specifications which ought to be cut down.

The CHAIRMAN. Are you having any difficulties or any unnecessary delays brought about by O. P. M.'s not giving your priorities the push that they should have?

Mr. PALMER. I believe, Senator, that the whole thing is working as well as we could humanly expect it to at the present time. It is getting along very fast.

The CHAIRMAN. There has been a lot of difficulty between O. P. M. and priorities, and I was wondering if you had had that same difficulty.

That is all, Mr. Palmer. Thank you very much.

The committee will recess until 10:30 tomorrow morning.

The committee has asked for a report from O. P. M. on the Currier contract.

(Whereupon, the committee recessed at 12:12 p. m. until 10:30 a. m. Thursday, October 9, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, OCTOBER 9, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Wednesday, October 8, 1941, in room 318, Senate Office Building, Senator Harry S. Truman, presiding.

Present: Senator Harry S. Truman (chairman).

Present also: Hugh A. Fulton, chief counsel, and Charles P. Clark, associate chief counsel.

The CHAIRMAN. Mr. Stevens?

Mr. FOSTER ADAMS (Director of Research and Statistics, Office of Administrator, Federal Works Agency). Senator Truman, this is Mr. Foreman and Mr. Stevens.

The CHAIRMAN. Have you been sworn, Mr. Stevens?

Mr. STEVENS. No, sir; I have not.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. STEVENS. I do.

The CHAIRMAN. Are you going to be a witness, too?

Mr. FOREMAN. Yes, sir.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FOREMAN. I do.

TESTIMONY OF FORRIS STEVENS, SENIOR LAND APPRAISER, FEDERAL WORKS AGENCY; AND CLARK FOREMAN, DIRECTOR, DEFENSE HOUSING DIVISION, OFFICE OF FEDERAL WORKS ADMINISTRATOR

CLAIRTON, PA., DEFENSE HOUSING PROJECT

The CHAIRMAN. Will you give your names and connections to the reporter, please?

Mr. FOREMAN. We have done so, sir.

The CHAIRMAN. You have done that already? Proceed.

Mr. FULTON. Mr. Stevens, will you tell us what your connection was with the Clairton project in Pennsylvania, near Pittsburgh?

Mr. STEVENS. I have had the responsibility out there not in selection, but in the appraisal, selection of appraisers for the jobs, and reviewing the appraisals, and making up my own mind, and making

my recommendations to Dr. Hovde to make his reports to Mr. Carmody. I reviewed several sites in Clairton; one called the Dora Farm site, one that we called the State Street or Railroad site, another called Blair site, another called Reed Wylie site, and my duty has simply been to transmit appraisals, approve them if I thought they were correct, or disapprove them if I did not think so—purely in an advisory capacity.

Mr. FULTON. There was a finding of need, as I understand, by the Coordinator for additional housing in or around Clairton, Pa. What was the amount that he found necessary?

Mr. STEVENS. That is a little out of my province, and I prefer to have Mr. Foreman answer that sort of question, because it is not something that I had anything to do with.

Mr. FOREMAN. I would like to explain, first, that we are sorry Dr. Hovde is not able to get here because the planes are not landing in Pittsburgh this morning, and planes cannot leave because of the fog. But Dr. Hovde has been the administrator of the Pittsburgh Housing Authority for some time, and when we were asked by the President to build 5,000 houses in and around Pittsburgh, we thought the best thing to do was to get somebody locally who was familiar with the situation to advise us. We, therefore, asked Dr. Hovde to come on our staff, in charge of our Pittsburgh office, to advise and to administer that part of the construction there.

Now, the need for the 5,000 houses was fixed not geographically, but in terms of the factories that needed these extra men, and so we looked to Dr. Hovde and to Mr. Palmer, the head of the Allegheny Housing Authority, to advise us as to the best sites for these prospective workers in these particular factories.

Mr. FULTON. Was one of those factories located at Clairton?

Mr. FOREMAN. No; I don't think so. I think the nearest one there is Manheim. Again I am sorry Dr. Hovde is not here.

Mr. STEVENS. There are two very large plants in Clairton. The Carnegie-Illinois Steel Corporation has a huge steel plant there, and their byproduct ovens are there, which is a fuel supply.

The CHAIRMAN. There was going to be an expansion of those plants, and that is the reason you wanted this housing project at Clairton so much?

Mr. STEVENS. As far as that particular plant at Clairton is concerned, I don't think there was any expansion contemplated, but it is a very, very large plant with a tremendous capacity, and its capacity was greatly increased because of defense needs, and so was that of the coke ovens. Of course, that is on the Monongahela River, and close by are a great many other industries.

The CHAIRMAN. I have been there. I know about it. Proceed.

Mr. FULTON. Was there a necessity for more housing in Clairton itself, as distinct from in the Pittsburgh area?

Mr. STEVENS. Personally, I would say that there was. Apart from the Pittsburgh area there was great need of houses in Clairton, and my observation now is that what we are building there won't fill the needs.

Mr. FULTON. So that there was a need in Clairton as distinct from somewhere adjacent to that, which meant that you had to take whatever land you could find in and around Clairton.

Mr. STEVENS. Well, I think it was highly advisable to locate the units that were located in Clairton, because of their proximity to the huge industries there. I have heard the comment that it was a long distance from the oven works, but there are other units to take care of that.

Mr. FULTON. You understand the distinction I was making as to whether you had to build it in the town of Clairton because the need was right there and the occupants would be from Clairton.

Mr. STEVENS. Well, the occupants would be from Clairton, sir.

Mr. FULTON. I was informed that of 300 houses built by the Pennsylvania Housing Corporation in Clairton 3 years before and offered for sale under F. H. A., 84 houses still remained unsold.

Mr. STEVENS. They may remain unsold, but they certainly are all occupied.

Mr. FOREMAN. They are also, I think, for an entirely different group, and the rentals are quite different.

Mr. FULTON. Well, they are \$4,300 houses. There isn't very much difference.

Mr. FOREMAN. But the rent is much higher than we charge.

Mr. FULTON. That might be, with the Government's taking a loss, you mean, on the project.

Mr. FOREMAN. You mean on our rents?

Mr. FULTON. Yes.

Mr. FOREMAN. Yes.

Mr. FULTON. Well, then, specifically did that mean that you were restricted to looking at sites which were in Clairton, and not asked to look at sites that were near it?

Mr. FOREMAN. I think I can state that we were guided on the location—the general location—by Dr. Hovde's office. Mr. Stevens went up from the Washington office to look into the real-estate values to see whether or not we were paying too much for the land that Dr. Hovde recommended.

Mr. FULTON. But was Mr. Hovde restricted to the Clairton site?

Mr. FOREMAN. No; Dr. Hovde was not restricted to the Clairton site. He was restricted only to getting houses that were accessible to the factories.

Mr. FULTON. And, therefore, if the Clairton site was high priced, if it would be expensive to develop or had other defects, it would have been possible to locate the housing project in a different town without seriously affecting any defense housing.

Mr. FOREMAN. I think the decision there would also have to be as to whether or not it would be justifiable to go further away from the factory. We were faced with the choice, if we couldn't build it in Clairton reasonably, whether we could go farther away. We have that situation in several of those cases.

Mr. FULTON. What study was made of other sites, outside of Clairton, to determine whether you did have that justification?

Mr. FOREMAN. All I can say to you this morning, in Dr. Hovde's absence, is that we were told that he had gone into the whole situation very thoroughly with his own housing Authority and that of the Allegheny Housing Authority, and surveyed the whole prospect with the factory managers and other people there, and that he felt it was very important to locate these houses in Clairton.

Mr. FULTON. Do you know of any other sites that they considered other than these Clairton sites as possible alternatives?

Mr. FOREMAN. As possible alternatives for these particular people?

Mr. FULTON. Yes.

Mr. FOREMAN. I don't know, offhand.

Mr. FULTON. This so-called Dora site was the one that was ultimately selected, was it not?

Mr. STEVENS. Yes.

Mr. FULTON. Would you tell us something of the nature of that particular site and the advantages that it had that led you to consider it the best of the ones available?

Mr. STEVENS. For one thing, Senator, there was capacity there for 450 units; and if you are familiar with the terrain in that country, you know that large parcels of land are pretty hard to find. There is almost no land that is level, simple, and easy of development.

Mr. FULTON. This land wasn't level or simple or easy to develop.

Mr. STEVENS. No; this was low, rolling hills. Everything there is hills, practically, Senator.

Mr. FOREMAN. It is relatively smooth.

Mr. FULTON. Well, it has cost several thousand dollars an acre to make it suitable for a housing project, hasn't it? How much does that run per acre?

Mr. FOREMAN. We will get it and put it in the record.

Mr. FULTON. As I understood it, it was more than the cost of the land, some thousands of dollars an acre, to make the land suitable for use. Is that in accordance with your recollection?

Mr. FOREMAN. It is my recollection that it was very expensive; yes, Mr. Fulton. It cost about \$656 for the land and the development per dwelling unit—more than we like to spend ordinarily.

Mr. FULTON. And more than you do spend ordinarily.

Mr. FOREMAN. Yes.

Mr. FULTON. How much was that an acre?

Mr. FOREMAN. That would depend on the density.

The CHAIRMAN. There are 39 acres in the site, aren't there?

Mr. STEVENS. Practically 40.

The CHAIRMAN. Practically 40. And you have 450 units. Wouldn't that be about 15 to an acre—somewhere in that neighborhood? It would be at least 10 or 12 to an acre.

Mr. FOREMAN. I would have to see whether they left some undeveloped.

The CHAIRMAN. That would be about \$7,200 per acre that it cost to improve.

Mr. FOREMAN. There still might be some part of the tract that was left for future expansion.

The CHAIRMAN. The fundamental cost you paid for that was \$2,200 an acre, wasn't it? That would be \$87,050.

Mr. FOREMAN. Including about \$44,900 worth of existing improvement.

The CHAIRMAN. Which you are going to use?

Mr. FOREMAN. Yes, sir. In fact, we have the choice before us either of using them or selling them back for the price we paid for them.

The CHAIRMAN. I see.

Mr. FULTON. What are they?

Mr. FOREMAN. Beg pardon?

Mr. FULTON. What are they?

Mr. FOREMAN. They are some houses. We have pictures of them here.

The CHAIRMAN. Then the land cost without the improvements would be about \$1,100 an acre.

Mr. FOREMAN. Yes.

Mr. STEVENS. There is the picture of all the houses on the site. Mr. Foreman, I think you will see from the pictures that there are some very good houses there, and we took them originally because we were told that if we did not take them, we would have to pay damages that would make us practically pay for them without getting them.

Mr. FULTON. You mean if you condemned it?

Mr. FOREMAN. If we condemned the rest of the land without those houses, that the owner would have——

Mr. FULTON (interposing). How much did you value the buildings at?

Mr. FOREMAN. Forty-four thousand nine hundred, with existing improvements.

Mr. FULTON. The tax assessment on the land plus all those buildings was only \$16,220.

Mr. FOREMAN. Well, you realize, Mr. Fulton, that if we could buy this land for what it is assessed, we would be in much better shape everywhere.

The CHAIRMAN. Our investigators were informed that land in the immediate neighborhood was selling for about \$500 an acre.

Mr. FOREMAN. I beg pardon?

The CHAIRMAN. Our investigators' report here shows that land in the immediate neighborhood was selling at about \$500 an acre, that that was the top price for which land was selling in that immediate neighborhood.

Mr. FOREMAN. I think Mr. Stevens can tell you about part of this land which is not on the road, on which an option was given for \$800 an acre before we went in, and the owner of the land asked us \$1,000 an acre. But because he had given an option to somebody else for \$800 an acre, we were able to get it for \$800 an acre, which is what we paid.

Mr. FULTON. And that \$800 option had been taken when?

Mr. STEVENS. It had been taken after we put our surveying crews on the land.

Mr. FULTON. And you regarded that as evidence of the value of the land being \$800?

Mr. STEVENS. No; that is simply one bit of evidence of the value.

Mr. FOREMAN. It couldn't be worth more than that, Mr. Fulton.

Mr. FULTON. That is right; but it wasn't any evidence that it was worth \$800.

Mr. STEVENS. No particular offer is ever perfectly good evidence of the value of anything.

Mr. FULTON. But an offer would be evidence only of someone paying something to get that option, and did this man pay as much as a penny for that option?

Mr. STEVENS. I doubt it.

Mr. FULTON. So you couldn't give much weight to that kind of proposition.

Mr. FOREMAN. Mr. Fulton, are you familiar with the way we do get this land? We have two certified appraisers to go out independently to give us appraisals. Both of the appraisers on this site were approved by the Department of Justice and are used generally in that area by the corporations as well as by the Government. We have the two independent appraisals which we will be very glad to put in the record.

The CHAIRMAN. I would like to have those put in the record.

Mr. FULTON. Now, taking this tax assessment, the tax assessor tells us that he tried to appraise it at about 80 percent of what he regarded as its value, and that was only \$16,220, so that in his opinion, if he knew anything of that area, these were worth around \$20,000; and even if you say he is completely wrong and add 50 percent more to it, it is still a good many thousands less than the amount you paid.

Mr. STEVENS. You said you had the opinion of three different men, Senator. One of them is a man who is defending his own position in carrying the assessment that he does on the property. Our two appraisers had entirely different ideas of the value of the property, and I will say, without knowing the assessor in that county, that I place no value whatever upon assessments anywhere, except in one or two specific instances where a real attempt is made to strike a general average with a certain percentage of what they consider to be real value.

Mr. FULTON. It is quite evident, because the price of \$87,050, or \$2,200 an acre, paid for this land is more than five times what he appraised it.

Mr. STEVENS. It wouldn't make any difference to me whether it was two times or five times or exactly the same. The assessment cannot be used anywhere.

The CHAIRMAN. Did you have any evidence on prices fixed by the transfer of property in that immediate neighborhood recently?

Mr. STEVENS. These appraisers undoubtedly have. They checked these values. They are men of reputation and men whose business and reputation depend on the accuracy of their work. They check sales; they check corresponding uses, and I think you will find, if you care to interrogate them, that they can substantiate their opinions on these appraisals.

Mr. FULTON. Then with respect to that tax assessment, which I think was municipal, you regarded that as not important?

Mr. STEVENS. I pay no attention to it, really.

Mr. FULTON. Did you pay as much attention to it as you did to this \$800 option?

Mr. STEVEN. I didn't pay any attention to that, either.

Mr. FULTON. There was another assessment by the county, which was around \$20,000, or less than 25 percent of the purchase price of this land.

Mr. STEVENS. The city and the county assessments vary in almost all cases. There are some communities where they accept the county assessments and have one uniform assessment, but that is purely at the desire and whim of the local administration and usually, as in Pitts-

burgh, there is a county assessment and a city assessment which vary considerably.

Mr. FULTON. But you didn't consider the county assessment any more valuable as evidence of what it might be worth?

Mr. STEVENS. Broadly speaking, Senator, I don't think that any assessment in those communities out there or in 95 percent of the communities of the United States has any relation whatever to value that can be used as a basis for value.

Mr. FOREMAN. I would like to say here that nothing would please us more than to be able to buy this land for what the assessment is. I understand that in Buenos Aires you can do that, and that when the Government takes land it takes it for what it is assessed by the Government. If we could do that, we would be in a much better position.

The CHAIRMAN. That ought to be the law in this country.

Mr. FOREMAN. I quite agree, Senator; but it is not.

Mr. FULTON. I just wanted to know whether you thought it was any evidence of even remotely reflected value, because here you have the very highly unusual case of more than five times the assessment.

Mr. STEVENS. Personally I don't think that it has any relation to value.

Mr. FULTON. Yes. Now, you spoke of adjoining land transactions that were studied. Did you study the sale of the Jefferson Township farm home there, of 48 acres, at \$250 an acre?

Mr. STEVENS. No, sir; I have not; and whether or not the appraisers took into consideration Jefferson Township property in valuing property in the city of Clairton I would doubt very much.

Mr. FULTON. Can you tell me any sale of any land anywhere around there that brought anywhere near that price at any time?

Mr. STEVENS. Senator——

Mr. FULTON (interposing). I am just a counsel.

Mr. STEVENS. I can't give you any figures of that sort, because that is not what I do. That is what we employ the appraisers for.

Mr. FULTON. Did the appraisers give you any similar area where they had ever known of any transaction that remotely approached these prices?

Mr. STEVENS. Are you assuming, Mr. Fulton, that a sale would be the only basis on which they could give a fair opinion of value?

Mr. FULTON. No; but I am assuming what you just said a few minutes ago, namely, that you pay no attention to the assessment; that you look at the question of what land is selling for.

Mr. STEVENS. Yes.

Mr. FULTON. I believe you said that.

Mr. STEVENS. That, of course, has a distinct bearing.

Mr. FULTON. We, of course, did look at what other land in the area sold for, and we don't find any land that was selling for these prices.

Mr. STEVENS. You mean in the city of Clairton or in adjacent townships?

Mr. FULTON. Land adjacent to the city.

Mr. STEVENS. Adjacent land in Jefferson Township would have a different value from property in the city of Clairton.

Mr. FULTON. My question is, What other land transfers, if any, were looked at for the purpose of determining that they had been transferred at prices that would justify this \$2,200 an acre?

Mr. STEVENS. Mr. Fulton, I am not avoiding your question but simply saying that that is not part of my work to do that. That is what we employ the appraisers for.

Mr. FOREMAN. Mr. Fulton, I would be very glad to have the two appraisers who made these to appear with Dr. Hovde to justify their appraisals.

The CHAIRMAN. You have them appear. That is what we want to find out. We want to know how they arrived at this price of \$2,200 an acre.

Mr. FOREMAN. They are prominent appraisers, men of high standing and ability, and we would be very glad to have them come. We took them because we thought they were the best people available. In the condemnation proceedings, we got the property for less than the lower of the two appraisals.

Mr. FULTON. The point I was addressing myself to was whether you so much as asked the appraisers on what they based their appraisals. So far as you know, they were not basing it on comparable land transfers. At least, it doesn't appear in any records that you people have ever had.

Mr. FOREMAN. I would say that we would assume that that was the case—that they did consider them.

Mr. FULTON. But you didn't check.

Mr. STEVENS. Mr. Fulton, I will say that it is not fair, nor do I think that the appraisers would consider that sales of land in Jefferson Township should be compared to sales of land in the city of Clairton.

The CHAIRMAN. Is all this land inside the city limits of Clairton?

Mr. STEVENS. Yes, sir.

Mr. FULTON. And just what transfers, if any, Mr. Stevens, when you were looking at this did you note that the appraisers had taken into consideration, or did you just assume that they must have taken some into consideration without asking?

Mr. STEVENS. I didn't do any checking myself, because I don't check those things. Those men keep their notes, and they are prepared to substantiate their opinions; and, as Dr. Foreman said, they are men of high standing and great ability. I am sure they would both be glad to come before you and give you their reasons.

Mr. FULTON. Even when preparing for the hearing on this subject you didn't ask them what they had taken into consideration when they made these appraisals?

Mr. STEVENS. I have made no preparation for this hearing whatever. I didn't come down here with any idea that I was going to appear this morning.

Mr. FULTON. I am surprised, Mr. Adams, because we investigated this site a good many weeks ago, and it was my understanding that facts were being obtained which could be presented on the question of the site.

Mr. ADAMS. Mr. Fulton, we had every reason to expect, up until 9:30 this morning, that Dr. Hovde, who has known for some days that he was to testify and who was down here 2 days ago to testify on this point, would be here with his maps and with all of the papers in the Pittsburgh office, which is the place where the details are kept. We know that your committee has from our files and from the files of the Pittsburgh office considerable detail, including the general

details which the appraisers put into their appraisals. It was at 10 o'clock this morning that we learned by long-distance phone that instead of coming in at the next moment, as we anticipated, Dr. Hovde was fog-bound in Pittsburgh. We would rather have him fog-bound on the ground than up in the air, however.

The CHAIRMAN. Now the committee is fog-bound with this fact.

Mr. FULTON. Well, to go ahead with this site, though, you say it is in the city limits of Clairton. As I understand it, it was farm property on the outskirts but actually within the limits of the town. Is that correct?

Mr. STEVENS. It is near the edge of town, Mr. Fulton, and if you will look at the photographs in that book that I gave you, while it may be called farm property, you will see that there are city improvements of great value, and you couldn't properly characterize the site as agricultural.

Mr. FULTON. You mean it wasn't very good land for farming?

Mr. STEVENS. No, sir; pretty good land for farming, but the street frontage for some long way back is very good for residences.

Mr. FULTON. Is it built up? Is it residential property?

Mr. STEVENS. The site was. It was owned by four members——

Mr. FULTON (interposing). There were four houses.

Mr. STEVENS. Of the same family.

Mr. FOREMAN. It is adjacent to quite a considerable subdivision developed by the F. H. A.

Mr. FULTON. It had 4 houses on 40 acres, as I understand it.

Mr. STEVENS. No; I think there were more houses than that, sir, but they were on street frontage, and the back was used for farming, as you say.

The CHAIRMAN. Let me read you what a banker in Clairton says about the price of this site. He is the president of the Union Trust Co. of Clairton, and his name is J. Will Taylor. In a letter dated August 11, he says:

For this site the Government has agreed to pay \$87,050. A generous appraisal would be \$12,000 for the land and \$24,000 for the improvements, making a total of \$36,000.

He is a banker there in Clairton.

Mr. STEVENS. He gives that as his opinion.

The CHAIRMAN. That is his opinion, but it is his business to make loans on property of this sort, and I think he should know pretty well what the value of it is.

Mr. ADAMS. Our understanding is that this banker opposed this project before there was any purchase of land. There is a question to what extent that opposition might influence his judgment of the value of any site.

The CHAIRMAN. We have a report from an appraiser named McCaffrey, in Pittsburgh. He reported land worth \$450 an acre. That would be \$18,000 for the land, without the improvements.

Mr. FOREMAN. That is our appraisal.

Mr. ADAMS. We would like very much to see that appraisal, because we have appraisals from Mr. McCaffrey.

The CHAIRMAN. Here is a statement that he made [reading]:

The appraisal which I am about to make is without any knowledge as to whether the site has been mined out or not, and I might note at this point

that if the coal has been removed and the removal is close to the surface, the value of the land would be less valuable.

Mr. ADAMS. There are several parcels of land entering into that purchase, and I think that that figure probably applies to one parcel. The total appraisal figure which Mr. McCaffrey gave for the entire site was \$87,450, and our purchase price in condemnation was slightly less than that.

Mr. STEVENS. Senator, may I ask to whom that appraisal was given by Mr. McCaffrey? Is that included in Mr. Taylor's letter?

The CHAIRMAN. That is included in the report to this committee by this appraiser. We have McCaffrey's report here as an exhibit.

Mr. STEVENS. That was not by Mr. Taylor.

The CHAIRMAN. No; no. Taylor made that statement himself voluntarily.

Did you know that there was a fire burning under this property when you bought it?

Mr. FOREMAN. Not only that, but we had the cost of eliminating it appraised, and we put it in the contract, that it must be eliminated.

The CHAIRMAN. I don't think I would like to buy a piece of land with a fire under it. I traveled over some land in Ohio that had fire under it, and it doesn't look to me as if it would be the proper place for a housing project.

Mr. FOREMAN. Senator, there are a good many places in and around Pittsburgh where there are fires. Some are serious, and some are not. We had this very carefully investigated. We took it up with the Bureau of Mines.

The CHAIRMAN. It is going to cost you a lot of money to put that fire out.

Mr. FOREMAN. It cost about \$3,000.

Mr. STEVENS. Thirty-five hundred dollars, the architect said.

Mr. FULTON. Did you get a contractor to remove it?

Mr. ADAMS. I am advised that the fire is out, Mr. Fulton.

The CHAIRMAN. You put it out. I am glad of that, although it might have been used to heat the dwellings without much cost to the Government, I guess.

Mr. FOREMAN. The coal is there as a reserve for the future.

Mr. FULTON. In buying this, did you consider that the coal there had value?

Mr. FOREMAN. Well, we figured that it had increased the cost of the land.

Mr. FULTON. Did you know how much coal was there, or did you make an appraisal of how much coal was there?

Mr. FOREMAN. We had borings made for the coal, as I remember, Mr. Stevens.

Mr. FULTON. Now, did this appraiser of yours even know whether the land had been mined, much less know whether it had any quantity of coal?

Mr. STEVENS. Certainly he did, Mr. Fulton.

Mr. FULTON. Why did he say in his appraisal that if the thing had been mined, that would affect the value of the land?

Mr. STEVENS. That is Mr. McCaffrey?

Mr. FOREMAN. Mr. Kane, who had——

The CHAIRMAN. Here is what he said:

The appraisal which I am about to make is without any knowledge as to whether the site has been mined out or not, and I might note at this point that if the coal has been removed and the removal is close to the surface, the value of the land would be less valuable.

Mr. FOREMAN. On the basis of that, we asked for further examination, and we got a telegram from McCaffrey, saying:

Recent data furnished on Dora farm, Clairton, justified my judgment on appraisal without further qualifications.

Mr. FULTON. What date is that?

Mr. FOREMAN. July 16, 1941. I would be glad to put it in the record.

Mr. FULTON. When had you decided to acquire this?

Mr. FOREMAN. On July 5 it was approved, but we had not gone to the Department of Justice.

Mr. FULTON. The point that I was raising there was that this appraiser, who was supposed to have been such a great expert, who went down and looked at the land, didn't even know it had a mine under it at the time that he made his appraisal, and that looks like almost gross carelessness and negligence.

Mr. FOREMAN. We don't consider yet that it had a mine under it.

Mr. STEVENS. That is not a fair statement, Mr. Fulton.

Mr. FULTON. The point of that is, isn't it true that in his appraisal letter he indicated—by saying that if it had been mined it had a lesser value—that he didn't know the fact that it had actually been mined?

Mr. FOREMAN. We don't consider yet that it has been mined. You see, apparently there are degrees of mining in Pittsburgh, and some things that we outside of that area might consider mining they don't consider mining. For instance, it was not mined commercially, we are told. It was mined by the owners of the property for their own uses.

Mr. FULTON. For a period of some 40 years, as I understand it.

Mr. ADAMS. When there wasn't work in the mills the owners of the land had nothing to do, and they would go down and dig some coal for themselves.

Mr. FULTON. Now, with respect to that mining, what did this appraiser who put this \$2,200 an acre appraisal on it know about the extent to which it had been mined, if any, at the time he made that appraisal?

Mr. FOREMAN. I would rather that he answer that question himself when he comes before the committee. I would like very much myself to know what he had in mind.

Mr. FULTON. So far as you know, did he ever look at it?

Mr. FOREMAN. When it was approved by the Administrator, it was approved subject to further report. We got a further report from him, saying that on the basis of additional data, he agreed to his original appraisal without qualification.

Mr. FULTON. And that was not surprising, for it would be assumed that he would say his original report was correct. Did he state what his additional data was that he had looked up?

Mr. FOREMAN. He didn't state in the telegram, but he did remove the qualification which the Senator was objecting to, which we also objected to at the time.

Mr. FULTON. Before he removed the qualification, did he go and ask the people who had done the mining how much mining they had done?

Mr. FOREMAN. I would rather he answer that question himself.

Mr. FULTON. If you people found out how much mining had been done, whom did you ask?

Mr. STEVENS. Mr. Fulton, you are speaking of Mr. McCaffrey's appraisal in June. We also have an appraisal by Leonard P. Kane, who had satisfied himself as to coal conditions completely before he rendered his appraisal.

Mr. FULTON. Now, before he satisfied himself so completely, did he go and ask the people who had done the mining on that project any questions?

Mr. STEVENS. With Dr. Foreman, I would rather you ask him that question, but I will say that what mining had been done there was visible to the naked eye and by examination—personal examination.

Mr. FULTON. And did he go into the mine and examine it?

Mr. STEVENS. I am personally sure that he did; yes, sir.

Mr. FULTON. And what did he find?

Mr. STEVENS. I would rather you asked him that question.

Mr. FULTON. Did you people ever ask him that question?

Mr. STEVENS. Yes, sir; I asked him that question.

Mr. FULTON. What was his answer?

Mr. STEVENS. His answer and his opinion is that the area has not been mined except in a desultory fashion by the people, the farmers, the residents who live on it, that the coal has never been commercially taken out, and that it largely underlies the whole area.

Mr. FULTON. And with respect to those questions, did you ask him how much ceiling there was between the surface of the soil and the mining operations, for the purpose of determining whether there was danger of cave-ins?

Mr. STEVENS. Wherever this desultory mining had been done, I am perfectly certain, although I have nothing to do with the construction, that they proposed to grade that off. There has been no mining on this site comparable to that across on the Reed Wylie farm, which has been all commercially mined out. Whatever mining that has been done there, if you call it mining, is family mining.

Mr. FULTON. Do you know what the ceiling is? Do you know how much there is of an overburden above the top of this mining before you get to the surface?

Mr. STEVENS. No, sir. It drifts in on the slope of the hill, and as I said a moment ago, wherever that has occurred, it is being graded out and removed.

Mr. FULTON. You mean on the three or four spots where it has already caved in?

Mr. STEVENS. It is practically surface mining. It isn't pit mining.

Mr. FULTON. Aren't there three or four spots where it had actually had a subsidence of the earth, practically a cave-in, where the earth had settled due to the mining operations below?

Mr. STEVENS. One or two little spots, probably, but those were taken care of in the grading and construction before anything was done on the houses.

Mr. ADAMS. I think the record should reflect the fact that Mr. McCaffrey had an official of the Bureau of Mines, of the Department of the Interior, visit the site and explore that situation.

Mr. FULTON. How much ceiling did he find it had?

Mr. ADAMS. I cannot tell you the result of his exploration.

Mr. FULTON. What kind of exploration did this official make? I mean we were interested in whether anybody ever looked at the fact that there are visible to the naked eye, places where the soil has caved in.

Mr. STEVENS. I can answer that myself, that there are one or two such spots, that they amount to very little.

Mr. FULTON. And if there have already been some cave-ins, even if you think they amount to very little, would it not be desirable to make a pretty definite check before you build 450 houses on it?

Mr. FOREMAN. Test borings were taken around all the fires to see how extensive the fires were.

Mr. FULTON. I wasn't talking about fires—I was talking about the danger of cave-in.

Mr. FOREMAN. Test borings were taken for that as well as to see whether there were secure foundation for the houses.

Mr. FULTON. So the test borings were taken throughout the area.

Mr. FOREMAN. Yes, sir.

Mr. FULTON. And you are sure of that?

Mr. FOREMAN. It depends on what you mean by "throughout." I can't say how many test borings were taken, but I am perfectly sure that we require that they take test borings to assure us that there was safe foundation for the houses.

Mr. ADAMS. Your committee, Mr. Fulton, has many documents with respect to the fire and the coal situation.

Mr. FULTON. That is why we were most interested in this situation.

Mr. ADAMS. That is why we are most disappointed that Dr. Hovde isn't here.

The CHAIRMAN. We will give Dr. Hovde a chance. We are not going to let a fog obstruct the work of this committee, so just rest easy about that.

Mr. FULTON. Perhaps, since Dr. Hovde is the only one who knows the facts on this, there will be nothing to do but adjourn the hearing.

The CHAIRMAN. The committee will recess, and we will proceed when Dr. Hovde can get here. That will be sometime next week, in all probability.

Mr. FOREMAN. Would you suggest that we also have the appraisers here?

The CHAIRMAN. Have the appraisers at the same time so that we can get all the information we want. We are anxious to get the facts on this, and we want everybody to have a square deal on it.

Mr. FOREMAN. Absolutely. Thank you.

The CHAIRMAN. I have just learned from reliable sources that Mr. Hillman is the only man in O. P. M. who knows anything about the Currier affair, and as soon as Mr. Hillman gets back from his convention in Seattle, we will have him come up here and tell us what he knows about it.

Mr. FOREMAN. I wonder if I could see that letter from the banker that you referred to, in case some question comes up on it.

The CHAIRMAN. Yes.

The next meeting of the committee will be next Tuesday at 10:30, when we will hear Mr. Davis, chairman of the board of the Aluminum Co. of America, and Oscar Ewing, his attorney.

(Whereupon, at 11:15 a. m., the committee adjourned until 10:30 a. m., Tuesday, October 14, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

TUESDAY, OCTOBER 14, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:44 a. m., pursuant to adjournment on Thursday, October 9, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), and James M. Mead.

Present also: Hugh A. Fulton, chief counsel, and Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

I understand that there is a representative of the Aluminum Co. here who has information with respect to Mr. Davis. Is that true?

Mr. WILBER. Good morning, Senator. There is a letter from the doctor in attendance on Mr. Davis.

TESTIMONY OF EDWARD B. WILBER, MANAGER, WASHINGTON OFFICE, ALUMINUM CO. OF AMERICA

The CHAIRMAN. What is your name, please?

Mr. WILBER. I am Edward B. Wilber.

The CHAIRMAN. What is your connection with the Aluminum Co. of America?

Mr. WILBER. I am manager of the Washington office.

The CHAIRMAN. Of the Aluminum Co.?

Mr. WILBER. Of the Aluminum Co. of America.

The CHAIRMAN. This letter is addressed to Hugh Fulton, chief counsel of the committee.

DEAR MR. FULTON: Mr. Arthur Vining Davis has been requested to be in Washington tomorrow.

Unfortunately, yesterday he came down with an attack of pneumonia, to which he is quite susceptible, this being his seventh attack. Consequently, it will be impossible for him to keep the engagement, and I cannot say just when he will be up and about.

It is signed by Dr. Carl Richard Wise, 105 East Ninth Street, New York City.

In that case, of course, we will have to postpone the aluminum hearing to a future date. How soon do you suppose Mr. Davis will be able to appear before the committee?

Mr. WILBER. Well, I don't know, Senator. He has had pneumonia a number of times, and I think that perhaps it would be well if Mr. Fulton got in touch with Dr. Wise.

The CHAIRMAN. All right.

Mr. WILBER. I don't know anything further than that.

The CHAIRMAN. We will direct the counsel to keep in touch with the situation, and as soon as Mr. Davis is able to appear we will expect

him to appear before the committee with Mr. Ewing. We want both of them here at the same time so that we can get this whole picture.

Mr. WILBER. Fine.

Senator MEAD. I hope that Mr. Davis' illness is not very serious. Do you know anything about its nature?

Mr. WILBER. I do know that about 2 weeks ago he came down with a very severe cold, and, quite unfortunately, it kept him from hearing the judge's decision about his own company in New York most of the time. His trouble started about 2 weeks ago.

Mr. FULTON. Do you know when he was last in his office?

Mr. WILBER. No; I don't.

Mr. FULTON. Was he there Saturday?

Mr. WILBER. I don't know.

The CHAIRMAN. This seems to be the day of postponement and, as Senator Mead remarked a while ago, not the day of atonement. We have a request from Mr. Floyd Odium, of the Office of Production Management—

Senator MEAD (interposing). I hope Mr. Davis recovers very shortly.

The CHAIRMAN. And he has requested a second postponement of the date on which he is to report to the committee on the progress he has made with the existing facilities for small business.

Senator MEAD. Mr. Chairman, is Mr. Odium sick?

The CHAIRMAN. Mr. Odium called me yesterday and sent his chief assistant up to my office, and said that he had nothing to report to this committee at this time, that he would like to have a little more time, that he had just taken over the office, and that he didn't have things in shape so that he could make an intelligent report. I asked him if next Tuesday would be time enough, and he said it would.

This is his second postponement of the date on which he was to make a report to this committee, and we shall expect him to be here next Tuesday, with a report on the progress he has made in setting up the little business program for saving little business in the country on the defense program.

Mr. Donald Nelson will be with the committee Wednesday morning, tomorrow morning, at 10:30, for the information which we asked the O. P. M. to furnish us through Mr. Nelson sometime ago.

Senator MEAD. In the first instance, the representative of the Aluminum Co. is too sick to put in an appearance, and I have no objection and no reason to believe he should be here.

In the second case, the little business of the country is too sick for its champion to have had time properly to diagnose the sickness. Therefore, he wants a second postponement, during which period of time little business will grow sicker.

The CHAIRMAN. No doubt.

Senator MEAD. If such is the case and he needs more time probably to continue his diagnosis, before he arrives here little business might die.

The CHAIRMAN. We will try and have him here next Tuesday. We can't have any more postponements on that subject.

With that, the committee will recess until tomorrow morning at 10:30.

(Whereupon, the committee recessed at 10:50 a. m. until 10:30 a. m., Wednesday, October 15, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, OCTOBER 15, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Tuesday, October 14, 1941, in room 318 Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, Joseph H. Ball, and Ralph O. Brewster.

Also present: Senator Alexander Wiley, Wisconsin; Hugh A. Fulton, chief counsel; and Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order. Mr. Nelson will be the first witness.

Just take that chair there on that side. Mr. Nelson. It is closer to the reporter.

You have been sworn by this committee before?

Mr. NELSON. Yes, sir; I have, Mr. Senator.

The CHAIRMAN. That will not have to be gone through with.

TESTIMONY OF DONALD M. NELSON, EXECUTIVE DIRECTOR, SUPPLY PRIORITIES AND ALLOCATION BOARD—Resumed

SHORTAGE OF STRATEGIC MATERIALS

The CHAIRMAN. Mr. Nelson, this committee is particularly interested in the progress you are making with the reorganization of O. P. M., particularly as it affects priorities. We would like to have you give us some information on that subject, if you will.

Mr. NELSON. All right, sir.

There is one thing I would like, Mr. Senator, to get over to your committee, because I see it reflected in so many letters that come in from the Congressmen and the Senators, who feel that the thing that is really hurting the manufacturers is the priorities system.

The thing that is really beginning to hurt us today is the shortage of material. As this program keeps on getting larger and larger, and our defense aid in lend-lease program gets larger, and the necessity for moving it up faster becomes more apparent, many of these things of which we formerly thought we had a large quantity are now actually getting very short.

I will just give you an example. For the month of October in copper—copper is one of the things that we have always thought we had plenty of—we had a total supply of 138,000 tons, and we had a

total request from the Army and Navy and from defense agencies alone amounting to some 144,000 tons, which left practically no copper for the civilian economy. Now, we know we have to have some copper for the civilian economy. Therefore, it becomes perfectly apparent that when a situation of that kind comes to us, something in our system is wrong.

The CHAIRMAN. When did O. P. M. first realize that there was a shortage in these basic materials?

Mr. NELSON. Well, sir—

The CHAIRMAN (interposing). They told us back, you know, early when this committee was first formed, there was plenty of everything, including aluminum. Now, they seem to have found out there is a shortage of everything. I want to know when that was first found out.

Mr. NELSON. We found that out when the program got larger and larger, and the requests from England and Russia and the Dutch East Indies and South America and the other places became apparent. Then these shortages, of course, became acute.

The CHAIRMAN. Isn't it true that you found it out about the time the new factories came into production?

Mr. NELSON. Well, yes; possibly so. I am not familiar, Mr. Senator—that didn't come within my purview. It wasn't part of my responsibility, and I just can't answer that question intelligently about when.

The CHAIRMAN. It does seem to me with all the new factories that were coming into production, somebody in O. P. M. should have realized that there would be a shortage of these very materials about which you are talking. They evidently didn't, because they told us there was plenty of everything.

Proceed with your statement.

Mr. NELSON. Regardless of what they told you, today there isn't plenty of everything, and that is what is causing the trouble. I am giving you the situation on copper. Now, for 1942, the copper situation still looks very bad. We probably have a total supply of somewhere around 1,800,000 tons. That would be the maximum total supply. There probably would be a minimum Army and Navy use, or defense use by the armed services, of a million tons of copper. There probably would be at least three or four hundred thousand tons that are needed for absolutely essential needs, such as transmission lines, railroads, the perfectly obvious needs of copper to keep a civilian economy going. And with an ever-expanding consumer market as a result of this defense program, your demands become, of course, greatly amplified—your demand for things, for things made of copper, refrigerators, and automobiles, and all sorts of things containing copper. Copper is one of the basic elements of our economy.

So that I don't see much hope of alleviating that shortage throughout 1942 and into 1943, even with every bit of new expansion which we can get, which means that there has to be, if we are going to carry through this defense program, a very severe curtailment of copper. We have to forbid copper for many uses. We even had to go into the forbidding of certain construction because of its use of copper.

Now steel is not as clear as copper; but, in my opinion, just from studying the figure—and I am not a steel expert; I am not qualified perhaps to predict that there is going to be a shortage of X number of tons—it is going to be very tight if it isn't going to be short by at least 5,000,000 tons for 1942.

The CHAIRMAN. That is the steel production.

Mr. NELSON. That is the steel production, sir.

Now, I wanted to emphasize to you that it is the shortage that is creating the difficulty, and the priorities system is actually, I believe, helping the situation, and I further believe it can help a great deal more as we improve the system by seeing that copper is spread out as nearly equitably as it possibly can be.

The CHAIRMAN. Now, has any effort been made to discover whether there are immense inventories piled up of these metals?

Mr. NELSON. Yes, sir; we are making that, sir. We are getting an inventory of every bit of copper that is inactive in warehouses, railroad terminals.

The CHAIRMAN. You brought that about since you have been in this thing, didn't you?

Mr. NELSON. Well, it was started about that time. It was started at that time. We are checking the inventories of the Army and Navy even to see that there aren't excesses piled up there. We are checking the inventory of private institutions. And in our copper order we are not issuing copper under priorities to a firm that has an inventory that would take care of them without the priority, and I believe that that will bring about some loosening, but the shortage is there. It is perfectly apparent to me that on the basis of the figures we must recognize the fact that it is short.

The CHAIRMAN. Whatever the inventories may show you, you will still be short.

Mr. NELSON. That is right, sir.

Senator MEAD. Mr. Nelson, when the inventories are located as being too large for a particular industry, what action do you take then?

Mr. NELSON. What we propose to take, sir. The requisitioning bill, of course, has just been signed—or it is before the President—and an Executive order would be issued giving some agency the right to go in, and, after trying to buy it, if we can't buy the excess at a fair price, to take it and see that it is distributed. Without that power, we had great difficulty, because some of these inventories in the warehouses undoubtedly belong to the Axis Powers. For instance, I remember a typical inventory of some 1,378,000 pounds of copper which had been in a warehouse since 1938. That has been out of the flow. There it is in that warehouse. We haven't been able to locate even the owners of some of that copper. Now we are going aggressively after bringing all of that back into the system, all of these critical materials we can, on the basis of a thorough check of the inventory, and to see that they are equitably distributed.

There is one thing I have learned about the American public and American business, and that is this: I believe they will stand almost any hardship if, first, they know that that hardship is necessary, and, second, they know that everybody has been treated alike.

The CHAIRMAN. I think that is the answer exactly. If you treat these fellows all equitably, I don't think you will have any quarrel

with them. But if there are a certain favored few who are going to profit by these priorities, all of us are going to be up in arms.

Mr. NELSON. Right, sir; those two principles are the principles upon which I think good administration of priorities depends. First, that it be necessary. Now, it is not necessary if there are inventories of copper piled up too far ahead by the Army, by the Navy, or by any other person, far ahead of their actual need, or if there are inventories in private industry that have been put away that are excessive, or if there are inventories in warehouses put away for speculative reasons. When we have done all that, then if this program shows that we need that copper, American business will know that it is necessary, and then if it is distributed equitably and everybody shares in it according to the need of the civilian economy, I don't think we will have any trouble with priorities, sir.

Senator MEAD. Every last ounce of it ought to be put to work during this emergency.

Mr. NELSON. That is right, sir.

Senator MEAD. When the emergency is over, there ought not to be any copper or strategic materials laid in storage during the emergency.

Mr. NELSON. I would consider that my administration has been a failure if there is.

Senator MEAD. Yes; now when the President signs the law, don't you think it would be praiseworthy for your agency, or some other agency, to set up the procedure for requisitioning the surplus?

Mr. NELSON. We are setting up that procedure right now, sir, and we work in close cooperation with the Army and the Navy. The Executive orders are being set up now.

Senator MEAD. There will be no delay.

Mr. NELSON. There should be no delay. We know where they are. We know who the reputed owners are. We have checked with the banks and trust companies, railroad-terminal warehouses, and so forth, all over the country.

Senator MEAD. I think you will find some surplus inventories, because in a recent trip by this committee, I noticed that one manufacturer was away ahead in his schedule. I asked him the reason for his ability to meet all his orders ahead of time. He told us that he saw this coming long before the emergency struck, and he stored up large quantities of materials.

Mr. NELSON. Well, I am sure, sir, that there are quantities stored up.

Senator MEAD. We went through a city that had abandoned street-car tracks. They may not be very important. I asked one of the authorities how many miles of tracks they had, and it was a very large number. I asked, "What are you going to do with it?"

It seems to me, he said, "We are going to put some black top over it."

I said, "Well, you have a lot of steel there. Wouldn't that be very valuable to national defense?"

He said, "Well, it is cheaper to put the black top over it."

Mr. NELSON. Steel scrap is very valuable to us now, because steel production depends on it.

Senator MEAD. They are putting black top over it in many cities. I counted the number of places——

Mr. NELSON (interposing). I will check to see what we can do about that.

Senator MEAD. I counted the number of places, in motoring from Buffalo to Washington a few days ago, and there were easily 10 communities that had abandoned their streetcar tracks, and in some cases they were putting black top over them, so that things like that ought not to be permitted now.

Mr. NELSON. That is right, sir.

Senator MEAD. It would make a very valuable W. P. A. project.

Mr. NELSON. That is right, sir; I made a memorandum and I am glad that you brought that to my attention.

Senator BALL. When you are up against a situation as you are in copper in October, when the actual defense demands exceed the supply, will your priorities work, or will you have to go to an allocation basis?

Mr. NELSON. Well, sir, your priorities only partly work. My personal opinion is, after having studied it as I have now for 3 or 4 weeks, that when a material gets as short as copper, no priorities system will work, that it has to be a straight allocation, and that, sir, it has to be an allocation both from the top and from the bottom, and furthermore, that it has to be an allocation to the Army and to the Navy, as well as to others, or else it won't work.

In other words, we have to find out how much they actually need to cut up during that month or the month following, and we don't want to take any copper away from them that they need. We want to see that they get every bit they need, but at the same time, we want to see that it isn't brought in too far ahead of the time of actual need.

The CHAIRMAN. I think you are right. You have to make your allocations to the defense program just the same as to everyone else.

Mr. FULTON. In connection with civilian economy, in certain instances a thing could be equally well done and use, say, less copper in doing it, so that wouldn't it be desirable to determine the types of manufacturers that would be permitted to have articles so as to use the least quantities of materials?

Mr. NELSON. Of course, we are doing it at the other end, too; we are forbidding the use of copper in certain things. For instance, at the present time when copper is so scarce it is no time for it to be buried in a bronze casket. There are some of them sold, probably not many, but that sort of thing certainly should not be the use of copper at the present time—ash trays, lamp bases, and things of that sort. Now, it does work a hardship, of course. There are manufacturers who are making those things. We are trying so to adjust it so that they will have until January 1 to adjust their business and find substitutes, brass plating in a good many cases; brass-plated steel will do just as well as a material as copper itself.

EFFECT OF PRIORITIES ON BUILDING INDUSTRY

The CHAIRMAN. Doesn't the building industry use a lot of copper?

Mr. NELSON. Yes, sir; it does.

The CHAIRMAN. Will that be cut off?

Mr. NELSON. It will be cut off except for defense purposes now.

The CHAIRMAN. If the steel shortage is just as great, what is the building industry going to do for downspouts and things of that sort?

Mr. NELSON. For downspouts, of course, steel is not as scarce as copper. But we felt that due to the scarcity or the shortage impending on steel and the shortage which was actually here on copper, that the thing to do at the moment was to prohibit buildings which required large quantities of those critical materials unless they were absolutely essential for defense.

The CHAIRMAN. In other words, you will just cut out the buildings as a whole?

Mr. NELSON. We cut out on buildings. An office building that isn't absolutely necessary can wait until this emergency is over to be built.

The CHAIRMAN. Won't that affect the housing projects that are now being constructed under the Government?

Mr. NELSON. No, sir. We have allocated enough material for 100,000 publicly financed defense houses and 200,000 privately financed defense homes.

The CHAIRMAN. You are treating them on the same basis. That is, you are giving the privately financed houses an equal place before the priorities situation that the Government-owned houses have.

Mr. NELSON. That is right, sir, and in that we think we are treating both fairly.

The CHAIRMAN. How about the areas over the country? Aren't the different areas being treated exactly on the same basis? For instance, is San Francisco being treated as well as New York; is Kansas City, Mo., being treated as well as Miami, Fla.?

Mr. NELSON. Of course, that treatment comes under the Defense Housing Coordinator, and he declares them to be defense areas and determines the need.

The CHAIRMAN. Those communities that have a lot of houses should certainly be allowed to go ahead and take an equal share in this thing, as those that are short of houses.

Mr. NELSON. That is right, sir, and it is his job.

He is designated by the President to determine where the houses shall go and in what number. He then determines that need. We issue the priorities on the basis of his determination of need.

Senator WILEY. I thank the chairman. He suggested that perhaps I might have a question. I talked with you personally the other day, Mr. Nelson, in order to clear up this matter that has been discussed—this matter of houses. In my State, for instance, the small contractor has been very much put out, feeling that this whole business is going to stop his building of barns, sheds, and small homes, and the like. I wish you would tell us definitely just what that situation is.

Mr. NELSON. That order said, sir, "projects which require large quantities of critical materials." When a farmer wants to build a barn, a chicken coop, or even a home, he can get along without critical materials. He doesn't need to use copper flashing. He doesn't need to use copper doorknobs. He doesn't need to use a lot of critical materials. And if he can build it without priorities—and there are no priorities on lumber; there are no priorities on most of the things that he would need for a chicken coop or farm building of one kind or another in an addition to his barn or an addition to a dairy—there is nothing forbidden about it at all. We are not forbidding building. S. P. A. B. issued the policy which guided the Administrator in the determination of where priorities shall issue, and the policy was that we would not

issue priorities for buildings which required large amounts of critical material and which were unnecessary at the present time. So that in the average small community, the small contractor who builds, as I know these communities—I know in Wisconsin, Missouri, Illinois, very little of the building there would be affected.

He can use other things than copper for downspouts and for flashings. He will get nails. Nails are a very essential thing in the economy, and nails were short. We are diverting more and more steel to nails, so that the economy will have nails. It should have them. The farmer shouldn't have to get a priority certificate to get nails he uses to build a chicken coop or for repairs. He should get those at his local hardware store. We are increasing the amount of steel which the companies are putting into nails, which will be distributed through their regular channels—through the warehouse, steel warehouse, down to the wholesaler, down to the retailer, and should be available.

The CHAIRMAN. What have you done toward cutting off some of the metal for automobiles and things of that sort? You know the automobiles for 1942 had more chromium and bright metals on them than last year's model. They haven't cut down a bit on this thing. Are you doing anything about that?

Mr. NELSON. Yes, sir; we are, Mr. Senator.

The CHAIRMAN. If we can't build houses, we certainly ought not to be able to build automobiles. I think houses are more essential than automobiles.

Mr. NELSON. As you know, automobiles have been curtailed approximately 50 percent in number of the output. Now there is going through the works an order covering what is called bright work on cars, chromium trimmings, and so forth. We want to give the industry time to make the change-over, so that they can paint the bumpers or use silver plating on them or do something with them which won't use chromium materials and won't use critical materials.

The CHAIRMAN. They also enlarged the bumper a little bit, too, to take up more steel and make it bigger and better.

Mr. NELSON. I don't know. That is the Civilian Supply that works on that. I have been so busy I haven't had time to look into it, sir.

Senator WILEY. May I ask another question?

The CHAIRMAN. Certainly.

Senator WILEY. I think you clarified the situation relating to the question I asked, Mr. Nelson, but I just want to make it definite because of a question that was asked here by the chairman.

You said in the average small community also that you felt that the small contractor-builder would have no particular trouble, say, in building small homes, where they require practically no particular copper or steel.

Mr. NELSON. That is right.

Senator WILEY. Or things of that kind, because into these homes there would ordinarily be nothing but wood and plaster.

Mr. NELSON. That is right; things not under priority rules now.

Senator WILEY. So that all he would have to do is probably to get substitute for a few faucets and a few steel pipes and something of that kind.

Mr. NELSON. That is right. He can't use copper pipe in it. We don't want him to use copper pipe. Steel won't be so short that there won't

be enough steel pipe to build the average necessary housing, particularly the small homes. Now, as I told you over the phone, this is not the time, in my opinion, to be building \$50,000 homes. That can be deferred until later. We don't need to chew up critical materials in a home like that at the present time. But where you have a home, a small home that is needed on the farm for a hired man or an addition to the family, or something of that sort, I don't believe there would be any particular difficulty building it, sir, because there would be no priorities needed in the building of that in the average small community.

The CHAIRMAN. Couldn't that same procedure be followed to some extent in the building of these tremendous plants. There are, in every city, vacant plants that have been out of business for some time. Why hasn't some effort been made to make use of those buildings already up, rather than to spend so much money for new buildings, new steel?

Mr. NELSON. Well, when I was on the site board, I made a thorough investigation of some of those, and most of the plants that are being put up are single-purpose plants with Government money. They are so much bigger or they are needed on one floor, or the floor load—there was something about nearly every one of those plants that I looked into we weren't able to find. For instance, an airplane plant is so much bigger than anything we have. A powder plant needs to be in a location where there are no other things around—a loading plant, shell-loading plant, the ammunition plants—in nearly every case.

The CHAIRMAN. For instance, quartermaster depots. I can't see any sense in building quartermaster depots in cities when there are buildings usually in every city that could be used for a quartermaster depot.

Mr. NELSON. Well, I haven't looked into the quartermaster depots. That didn't come before the site board.

COOPERATION OF INDUSTRY AND GOVERNMENT WITH S. P. A. B.

Senator BREWSTER. I have had some concern expressed about the matter of generators—that question of procuring power—and how the priority program will operate on those.

Mr. NELSON. Well, sir, if the generator is essential, if the additional power capacity is needed for defense because of defense work that is going on in the particular area, they submit the material to O. P. M.; we have a Power Section; it is checked with the facts, and the priority is issued if it is essential. If it isn't essential, then this is the time not to put it in.

Senator BREWSTER. And there is no blanket order against any generators going to any utilities?

Mr. NELSON. No, sir.

Senator BREWSTER. Each case is determined.

Mr. NELSON. Each case is decided on its merit. It is checked with the Power Commission and checked to see that the power may or may not be available. Naturally, generators interfere greatly with the defense program because of Allis-Chalmers and General Electric and Westinghouse, you see. That capacity is greatly needed. But where

a generator is needed to furnish additional power in the community because of the additional load put on it by defense plants in the area, and the facts are perfectly clear, we have issued. I think, some—well, there have gone over my desk in the last 3 weeks some 25 to 30.

Senator BREWSTER. Well, what is the attitude as to shutting off other uses of power in any area where you have nondefense industries?

Mr. NELSON. We haven't gone that far yet.

Senator BREWSTER. You haven't crossed that bridge yet?

Mr. NELSON. No, sir; except in the South, where the water was short and it was necessary to supply power for the aluminum plants, there was a curtailment of power. That may come later. It may be a perfectly necessary thing to do later.

Senator BREWSTER. At the present time, if an increased demand results from defense industry, you will recognize that by a priority for a generator.

Mr. NELSON. That is right, sir.

Senator BREWSTER. Or other material.

Mr. NELSON. That is right, sir, if the facts disclose that it is necessary.

Senator BREWSTER. Now, how does this relate itself to price control in the functioning of your office?

Mr. NELSON. Well, we work very closely with the Price Administrator, because price control and priorities go very closely together. As shortages develop, of course, the greater the shortage, the greater the demand for that particular material. And when we see a situation of that kind developing, it is usually worked over with the Price Administrator, and we work very closely together.

Senator BREWSTER. Take one typical example in copper, for instance.

Mr. NELSON. Yes, sir.

Senator BREWSTER. You are using probably 75 percent of the copper for the Government.

Mr. NELSON. That is right.

Senator BREWSTER. How do you relate yourself to the fixing of the price as with Mr. Henderson's group?

Mr. NELSON. Well, here is the way we do that: Of course, when you get into the situation of a shortage, your first duty is to try to increase the supply; your second duty is to try to reduce the uses; and then your third is to distribute equitably what you have left after having done those two.

Now, in the case of copper, as you know, the Price Administrator set a price which has been in effect now for, I think, 6 or 8 months. But it was shown that certain additional copper could be brought into production if the price were increased, and we have worked out with Mr. Henderson and with lend-lease an arrangement whereby they have been buying some of this copper for lend-lease at higher prices than the price set. In each case, with the R. F. C., who buy copper, arrangements have been made to buy it at a higher price if it will bring an increased supply, so that in that way there is a careful working between the three agencies—O. P. M., R. F. C., and the Price Administrator.

Senator BREWSTER. To what extent has there come to your attention the matter of bootlegging scarce material?

Mr. NELSON. Well, sir, bootlegging is going on, and I feel that one of our jobs in seeing that this thing is done equitably is to see that our

orders are complied with. And right now there is a check going on of some 1,900 aluminum foundries to see whether or not bootlegging has occurred. We have one company that is before us now in which the facts are perfectly clear that it is engaged in bootlegging. It is a clear compliance case.

SENATOR BREWSTER. I have had some quite serious complaints, which are having a most unfortunate effect on businessmen. Exactly as you say, if they feel there is a square deal, they will play ball. If they feel that bootlegging on a wholesale scale is developing in scarce articles, it destroys their confidence.

MR. NELSON. I believe that our job is to get compliance. If the order isn't right, let's change the order; but if the order goes out and 90 per cent of the businessmen comply with it, then I think the other 10 per cent should be made to comply with it, if necessary. As I say, we are working actively in that compliance field. We are using the wage-and-hour investigating force. We have worked very closely with the Federal Trade Commission. They are going to help us in an industry by lending their investigative force. It is the custom. Instead of building a new investigating agency that we have to train and pay for, we have been borrowing and have made arrangements, as I say, with wage and hour, and Federal Trade Commission, with other agencies who have investigating forces, and an active compliance has been instituted.

SENATOR BREWSTER. You have an organization that can handle complaints, then, so that if we had any of these come to us——

MR. NELSON (interposing). Yes, sir; any company or anybody that you know about that you feel there isn't a compliance on, send it to us. We have a compliance section, and we will check it up and find out what the facts are and let you know exactly what the facts are. If we find that there hasn't been compliance, and if it is willful, then, sir, I think we should go the limit in forcing compliance. If it is as a result of not understanding, and we are perfectly clear that the company hasn't understood, then I think it is our job to have them understand the thing perfectly. Some of these noncompliance cases we find are due to a lack of comprehension as to just what was expected on the part of many of the smaller fellows.

Now, no large concern has any excuse for not knowing all about priorities, because it has been published; you have the figures; we have worked with industrial committees, and we want to bring about fair compliance with this priorities system or else abandon it. If we can't do it, then it ought to be abandoned. And if it is abandoned, I don't know how to work the defense program.

SENATOR BREWSTER. What is the scope of your authority, Mr. Nelson, in procurement?

MR. NELSON. I have none in procurement, sir.

SENATOR BREWSTER. You haven't any?

MR. NELSON. No; I am not in the Division of Purchases any longer. I am now Director of Priorities. I am Executive Director of S. P. A. B., so I have nothing to do with procurement.

SENATOR BREWSTER. That is true of your whole organization in the S. P. A. B.

MR. NELSON. Well, S. P. A. B. does have little in the procurement field. Its main purpose is to establish policies in priorities and par-

ticularly to deal with procurement problems in the case of supply of raw material.

Senator BREWSTER. And who has taken your place in procurement?

Mr. NELSON. Mr. Douglas MacKeachie.

Senator BREWSTER. And Mr. MacKeachie is now responsible for procurement of all the Government's needs and the lend-lease?

Mr. NELSON. He is responsible as far as O. P. M. is responsible; as far as they have authority. Mr. MacKeachie is responsible for the exercise of O. P. M.'s authority in that field.

Senator BREWSTER. Now take the specific case of aluminum which covers all these fields and perhaps is typical. We know that we need a greatly increased quantity of aluminum now.

Mr. NELSON. Yes, sir.

Senator BREWSTER. Who is responsible for getting that?

Mr. NELSON. Well, sir, the responsibility falls about like this: The Army and the Navy work with O. P. M. to determine what the total requirements are going to be of the armed service, lend-lease, defense aid, and a total quantity is arrived at. Then O. P. M. through its aluminum section works out the plans and procedures for carrying that forward. They pass it on then to R. F. C., under Mr. Jesse Jones, who execute the contracts.

Senator BREWSTER. That is, the O. P. M. finally reports to Mr. Jesse Jones that, "We believe certain additional plants are required. Will you please arrange for their financing?"

Mr. NELSON. That is right, sir.

Senator BREWSTER. Now, we had Mr. Jones before us, and he has made his contract with the Aluminum Co. of America, and Reynolds Metals, but Mr. Jones reported that one of the plants using a very substantial quantity of Government power in the Northwest, which was under the control of the Secretary of the Interior, and the Secretary of the Interior took very serious exception to that contract, wrote a letter to our committee denouncing the contract, which Mr. Jones had entered into. Now, whose responsibility is it to resolve that conflict of viewpoint?

Mr. NELSON. Well, sir, I feel that that is directly a responsibility of S. P. A. B.

Senator BREWSTER. Well, is it a matter, then, that you have taken up?

Mr. NELSON. Yes, sir; we are. Mr. Jesse Jones is going to come over this afternoon to S. P. A. B.

Senator BREWSTER. And what about Mr. Ickes?

Mr. NELSON. Well, I don't know what the whole situation is with respect to that. I haven't gone into it, sir.

Senator BREWSTER. If you find that there is a failure of cooperation between Mr. Ickes and Mr. Jones, it would be your responsibility to try and get them to see the light of reason?

Mr. NELSON. It would be my responsibility to try to resolve that in S. P. A. B. with the rest of the Board. It would be my responsibility to bring the facts before the Board. The Board would then take such action as it felt was necessary in order to bring about a resolution of that difficulty.

Senator BREWSTER. Well, I am very glad to know that you take jurisdiction without criticizing either of the gentlemen and without

passing on the merits of the contract or anything; the thing, of course, we want is aluminum.

Mr. NELSON. That is right, sir.

Senator BREWSTER. And it has always seemed to us there should be someone in the Government finally responsible under the President.

Mr. NELSON. Well, S. P. A. B. has that responsibility for a decision like that, to make a decision like that for the President, of course, always with his approval.

Senator BREWSTER. Yes.

Mr. NELSON. But it can resolve issues of that kind.

Senator BREWSTER. You can call in Cabinet officers and anyone else and ask them what it is all about, can you?

Mr. NELSON. Well, the Vice President is chairman of the committee.

Senator BREWSTER. That answer is very helpful.

The CHAIRMAN. That is what this committee has been fighting for—an arrangement whereby somebody will have the responsibility to say yes or no and knock these fellows' heads together and get results. It has been the fight of this committee since it has been organized, and if you can do that, we are happy over it.

Senator BREWSTER. You are familiar with the industrial mobilization plan developed by the War Department? Have you ever looked that over?

Mr. NELSON. Only parts of it, sir. I have looked over and read what the average businessman has read about the industrial mobilization plan, and have read the material of the last war and the recommendation of Mr. Baruch and that material.

Senator BREWSTER. Of course, there is a great deal of concern in the country about what has seemed to be a failure of coordination, and I think that whatever reassurance can be given in that regard that the procurement program is being integrated will be most helpful in restoring confidence. It enters into a field of policy which you may be reluctant to speak about as Mr. Knudsen, Secretary Stimson, and Secretary Knox, all of whom were before us, because they felt their responsibility was rather to executive policy, but I should be glad to have you comment on whether or not this thing is yet sufficiently under control as to not only priorities but as to price control and our whole economy, which you recognize is vital to our success.

Mr. NELSON. Well, sir; I will comment on it to this extent. While I am not an authority on the industrial-mobilization plan and have been pretty busy with the jobs I have had down here, I feel that the creation of S. P. A. B. was a great step forward. In that agency most of the important problems that relate to certain priorities, supplies of raw materials, and many important things of that kind can be coordinated, as I said before. That group is made up of men of substance, men of decision, and as I have seen the working of that body so far, they are not afraid to make a decision and have worked hard trying to arrive at them. We have tried to bring the issues before them on the basis of facts, and I think it has supplied one of the things that I have felt has been lacking.

Senator BREWSTER. How frequently do you meet?

Mr. NELSON. Once a week, sir.

Senator BREWSTER. How long are the sessions?

Mr. NELSON. As a rule, it lasts 2, 2½, or 3 hours.

Senator BREWSTER. Do the regularly constituted members attend or their substitutes?

Mr. NELSON. The regularly constituted members, sir, attend.

Senator BREWSTER. You haven't had very many of the substitutes as yet?

Mr. NELSON. Well, it is the policy not to have substitutes.

Senator BREWSTER. I understood there was authority to have substitutes.

Mr. NELSON. There is authority, but it has been the policy not to have. If the Secretary of War is in town, he is expected to attend. If he isn't in town, the Acting Secretary attends. The same with the Navy and the others.

Senator BREWSTER. You understand that this arrangement violates all of the conclusions of the industrial-mobilization plan, do you?

Mr. NELSON. No, sir; I am not familiar enough with that.

Senator BREWSTER. Well, the industrial mobilization plan contemplated a responsible procurement officer should have over-all authority with an advisory board. If the powers of S. P. A. B. were advisory to you as Director, we would have what all the studies of the last 20 years indicated was imperative.

If you meet once a week for 2 or 3 hours, I assume it must mean, as you are going on a 24-hour basis, that you function to a very substantial extent in the absence of the Board.

Mr. NELSON. Well, they determine policy, of course. They determine basic policy, and then we proceed to carry it out.

Senator BREWSTER. There may be a very delicate line between determination of policy and an advisory board. In substance, you may be actually doing what the plan contemplated, although legally it is apparently somewhat a different distribution of authority.

Mr. NELSON. Well, of course, I have always felt that any plan that will work and accomplish the result is a good plan.

Senator BREWSTER. That is right.

Mr. NELSON. And so far, I have felt, from what I have seen of the workings of S. P. A. B., the earnestness with which the men have approached the problem, the willingness to sit down and wrestle with it instead of pushing it off, the willingness to get right down to cases in it, very hopeful.

Senator BREWSTER. If you can straighten out Mr. Jones and Mr. Ickes, I am sure you will be entitled to have a palm, because they were beyond our power. We may later have Mr. Lewis and Mr. Green for you.

Mr. NELSON. I will not make any promises.

EFFECT OF PRIORITIES ON SMALL BUSINESS

Senator MEAD. Mr. Nelson, in our hearings held outside of the city, we had a number of businessmen appear before the committee, and I am just recalling, without any notes, some of them that put in appearance and some of their problems. For instance, plow manufacturers, manufacturing plows for home markets, for the farmers of the United States, explained that they had difficulty in securing materials. I realize that plows are not necessary at the front, but we all realize—

Mr. NELSON (interposing). They are very essential, sir, in the civilian economy.

Senator MEAD. But we realize that the production of food is as essential as the production of guns for the Army or anybody else.

Mr. NELSON. That is right.

Senator MEAD. It occurs to me that there should be a minimum of plows permitted to be manufactured and sold in the United States in direct proportion to our food supply needs.

Mr. NELSON. Well, that is exactly what we are working on now. We are working with the farm equipment industry, sir, to do that. The difficulty with their getting their material—and it will always be the difficulty of a straight priorities system—is that they were getting a rating of B-1, but B-1 wouldn't get them the alloy steels that were necessary to make plows.

Senator MEAD. He told us they were just outside of the veil.

Mr. NELSON. Exactly. And it might be that this month they would need an A-10, and next month they might need an A-5, or later even an A-1A, as anyone else would to get it. I feel that very definitely, and we are using that industry as an experiment to see how to do it because we think it is so vital. We are working with the Department of Agriculture to determine the total need, with Secretary Wickard and Governor Townsend. We are working with the industry to try to find a method, an actual mechanical method, to allocate the material they need to do just the things you are talking about.

In certain things, in the agricultural implements, I think they have to be greatly expanded; others have to be contracted. For instance, milking machines will be a necessity in increasing milk and milk products for our own economy and also for Great Britain, and with the labor that is going off the farm, I think we have to increase the number of milking machines.

Senator MEAD. That is right.

Mr. NELSON. Whereas, with a thing like windmills, it may be that we can get along with 60 or 70 percent of what we made in 1940.

Senator MEAD. And lightning rods.

Mr. NELSON. Lightning rods and things of that sort can be forbidden. That is the way we are approaching this farm-equipment industry, sir; and we are doing it on two bases: first, temporarily taking care of their immediate requirements, and then, second, going right in working with them on a method of seeing that the material is allocated to them, because if we don't have the agricultural implements, we can't have the food, and I think it would be a terrible thing if we ever, for want of agricultural implements, had to ration food in this country.

Senator MEAD. In our hearings, we heard the manufacturers of plows, cement-mixing machinery, and the manufacturers of furnaces and radiators. It occurred to me that the original priorities system was a gross injustice to some of these manufacturers in that when they applied for their material, their priority rating wasn't good enough to get the material, and no matter how vital the need happened to be, they were denied the material for manufacturers who had a better priority rating. So, I thought of a plan similar to the plan that you have just outlined, and it occurs to me that in all these industries we ought to study the Nation's needs, which you are doing.

Mr. NELSON. That is right, Senator.

Senator MEAD. And we ought to allow a minimum amount of material to meet those requirements. We ought to allow a priority that would be standard to the industry, applying universally all over the United States, so that every plant manufacturing plows or whatever it was manufacturing would be working under the same priority.

Mr. NELSON. That is being done now.

Senator MEAD. There would be no preference to any section or any community or any plant, and, therefore, there would be little grievances to be presented to this committee and to other agencies of the Government because of that system. First, the study of the needs, and second, the application of a priority that would insure a sufficient amount of material, and then, above all, a standard priority number that would apply universally to the entire industry.

Mr. NELSON. That is the plan, sir; but at the present time we have had to patch it up, because of the time to work this thing out, by issuing what we call a PD-1 form. One manufacturer may send in that PD-1 form, and he gets the material because he knows how to do it, and another manufacturer who doesn't know how to do it doesn't send it in. Therefore, one gets the steel and the other doesn't, you see. So that I feel that the way to do this problem, the way to do this job, is to do it on the basis of working with the industry as a whole, determining what their needs are, determining what conservation can be had, and what simplification, with the elimination of copper out of many places or the elimination of other things that are very critical—aluminum or nickel or stainless steel, things that we know are very scarce. Then find a way to work out a method by which the manufacturer will get some percentage of his 1940 takings of material.

It is uncertainty that makes the manufacturer very nervous. He is responsible for employment of people; communities are dependent upon him. Well, if this month he can get a little material and the next month he can't get any, the uncertainty of it just causes him to feel that the whole thing is bad. If we can eliminate the uncertainty of it—I don't know, sir; whether any group of men have enough vision to be able to work this thing out, but that is our objective, and I am going to do it if we can get the brains of the country to come in and help us.

We are now taking the agricultural industry as one that is so very essential, trying to work out an allocation scheme with them on just that kind of basis.

Senator MEAD. And then applying a standard priority rating to the whole industry. The little fellow will be given the same treatment as the larger manufacturer.

Mr. NELSON. Exactly the same treatment as the larger fellow. Until the first of the year or until we can work this out, we probably are going to put them under a priority number that will insure their getting the material—the industry as a whole.

Senator MEAD. That will apply to plows and cement-mixing machinery and furnaces and defense housing and so on.

Mr. NELSON. Things of that sort.

The CHAIRMAN. We had a great many complaints, Mr. Nelson, from small manufacturers and small business that steel and copper

and all these vital materials, when they are considered, the little fellow is not considered at all.

Mr. NELSON. Well, that is partly true, and partly not true, sir.

The CHAIRMAN. Are we going to remedy that?

Mr. NELSON. Insofar as it possibly can be remedied. I want to tell you one of the difficulties in the picture.

The CHAIRMAN. All right.

Mr. NELSON. During the time when things are on the boom, many of the manufacturers cut out the little fellow from getting his material. Now they blame it on priorities. There may be no priority thing on it at all, but they say to him, "It is priorities. We can't give it to you," when it is just a reluctance to sell to him when they want to sell to someone else. I think a way has to be found, as I say, to allocate and equitably get this stuff down. Otherwise, you are not going to get even a priority rating.

The CHAIRMAN. I am particularly interested in the little fellow. I think it is more important to save him than it is to save the big one.

Mr. NELSON. Mr. Senator, I agree with you definitely, and I will tell you why I agree. I feel that he is the backbone of this country of the future.

The CHAIRMAN. That is right.

Mr. NELSON. The big concerns of the future are now small, and many of them will some day be big. I think if during a period like this, we destroy them, we have hurt the free enterprise system and have given it a very tough blow after this thing is all over.

The CHAIRMAN. We will simply put it out of business unless these little fellows can be saved.

Mr. NELSON. So, on a common-sense basis, just because I believe it is good business, I think we have to do everything we can to save them.

The CHAIRMAN. I am glad to hear you say that. That is the most important thing that is scaring the civilian population of the country right now.

Senator BREWSTER. You have rationed housing, as you indicated.

Mr. NELSON. Yes, sir.

Senator BREWSTER. In the procurement of that housing, to what extent do you take jurisdiction? I am referring particularly to this difficulty we have out in Michigan now on prefabricated houses.

Mr. NELSON. Of course, have no jurisdiction over that at all. That particular case is with the Labor Division in O. P. M.

The CHAIRMAN. Senator Brewster, we have invited Mr. Hillman, Mr. Green, and Mr. Lewis to come and discuss that before this committee, and maybe they can give the answer.

Senator BREWSTER. What I am interested in, as you know, is integration, and I feel strongly that some authority in the Government should have over-all supervision of everything. Mr. Hillman is a member of your S. P. A. B., is he?

Mr. NELSON. Yes, sir; he is.

Senator BREWSTER. But his position there is distinct from his position as a labor administrator?

Mr. NELSON. That is right, sir.

Senator BREWSTER. To whom is he responsible as a labor administrator? What is his position there?

Mr. NELSON. As a labor administrator, he is responsible to the O. P. M. Council.

Senator BREWSTER. To the O. P. M. Council?

Mr. NELSON. That is right. That consists of the Secretary of War, the Secretary of the Navy, Mr. Knudsen as Director-General, and himself as Assistant Director-General.

Senator BREWSTER. That is still functioning?

Mr. NELSON. Oh, yes; very actively.

Senator BREWSTER. They are primarily responsible for procurement policy?

Mr. NELSON. That is right, sir.

Senator BREWSTER. Although they must come under your jurisdiction for broader questions of policy.

Mr. NELSON. On broader questions of policy, where they involve other agencies, they report directly to the President; and on broad policies pertaining to priorities, under the Executive order of the President, S. P. A. B. sets those broader policies.

Senator BREWSTER. And you have not as yet set any policy on this matter of union supply?

Mr. NELSON. No, sir; we haven't sir.

Senator BREWSTER. You feel that that may come within your purview?

Mr. NELSON. I don't know, sir. We haven't gone into that field except just to discuss—

The CHAIRMAN (interposing). Senator Ball, have you a question?

Senator BALL. Does your division handle all priority questions in this defense program?

Mr. NELSON. No, sir; it does not. We have the final responsibility. I think I can explain to you very briefly what the organization is.

You have certain commodity divisions under the Division of Purchases, under the Division of Materials of O. P. M., under the Division of Civilian Supply, and under the Division of Production. You have the Oil Coordinator, Mr. Ickes, who has responsibility under the President for petroleum and fuel.

These commodity divisions work up the priority decisions in the first instance. Then they are referred to our office. We have a priority specialist who works right along with them.

I have the responsibility, and if I don't agree with it, of course, can change it or take it to O. P. M. or take it to S. P. A. B., or take it anywhere for final decision. Final decision with respect to priorities is perfectly clear today. You can go right through to S. P. A. B. and get a final decision, no matter what the differences of opinion are anywhere over the town.

But these commodity sections do the work of preparing in the first instance, because we don't want duplicate organizations. The Copper Section of O. P. M., for instance, who are responsible for increasing supply, for knowing all about copper, will work up an order like this copper curtailment order. They do it with us during the process all along. A copper curtailment order is worked up, there is agreement all along the line, and it goes right through. If there is disagreement, that disagreement can be referred anywhere for final adjudication.

Senator BALL. Then a businessman looking for strategic materials—

Mr. NELSON (interposing). Would go to the commodity section.

Senator BALL. Would go to the particular commodity section. It may be in O. P. M.; it may be over in—

Mr. NELSON (interposing). It may be an oil man, and he would go to Mr. Ickes' office.

Senator BALL. He would go there for priorities on steel or anything else.

Mr. NELSON. That is right. They are supposed to know and to gather all the over-all statistics on how much steel is needed, what the needs of the industry are, and make recommendations then to the Director of Priorities as to just what ought to be done.

Senator BALL. But the final authority is S. P. A. B.'s?

Mr. NELSON. That is right. S. P. A. B. is the final authority

Senator BALL. There is no way of going over their heads?

Mr. NELSON. That is right, sir, except to the President.

Senator BALL. Is that done very often?

Mr. NELSON. I haven't seen it done yet.

Senator BALL. Your over-all authority on this defense program, then, is concerned primarily with priorities and not with procurement or price control.

Mr. NELSON. That is right, sir. You see, those all report to the President. Price control—Price Administration—reports directly to the President through the Office for Emergency Management. Before S. P. A. B. there was no way in which those problems could be resolved. If, for instance, we felt that paying a higher price for copper would get more copper, and if the Price Administrator felt that it wouldn't, and he wouldn't do anything about it, which didn't happen—I am just taking a hypothetical case—sometimes these things were delayed due to lack of decision. Today that can come directly to S. P. A. B. and be resolved, so that while it doesn't have direct jurisdiction, it has jurisdiction if it relates to the supply of material.

Senator BREWSTER. Practically everything comes down to that in the final analysis.

Mr. NELSON. Practically everything comes down to that in the final analysis.

Senator BREWSTER. Priorities and allocation.

Mr. NELSON. That is right, sir.

Senator BALL. So that you might eventually take up this question in Michigan on the union contract.

Mr. NELSON. I don't know, sir. I haven't given it any consideration at all until Mr. Hillman gets back. I haven't gone into it. He has been away. He is the one who handled it. He is due back very shortly, so we just haven't given any consideration to it until he gets back.

The CHAIRMAN. This committee is waiting for Mr. Hillman to get back, and we are definitely setting next Wednesday as the date of the hearing.

Mr. FULTON. Mr. Nelson, what percentage now of our total production is defense production? I recall that Under Secretary Patterson some months ago said he thought it was about 15 percent.

Mr. NELSON. It is around 20 now. It is going up, of course. It varies in different things, but I would say approximately 20 percent. It is rising. I think we will get up to 27, even to 30. I hope it gets up even higher.

Mr. FULTON. And the thing that I thought about that is that if you take 20 percent of almost any of these materials as a pre-war standard, there was that much surplus or that much existing capacity over production at that time.

Mr. NELSON. Yes; but you see that 20 percent is an over-all figure. In the case of copper today, I gave you the figures for the month of October. It took up practically 100 percent of the copper. That will vary with certain industries. Today we are taking about 37 percent of the steel at the moment. That may go higher. In certain other things—aluminum—we are taking 100 percent; we are taking 100 percent of the magnesium.

Mr. FULTON. I understand.

Mr. NELSON. So that while 20 percent is an over-all figure, it includes a lot of things that aren't even in the defense program. It relates to the national income, which is taken up in the production.

Mr. FULTON. I was just leading up to the question of what percentage, if any, of this is due to what you might call the new construction aspect, as distinct from the production aspect of the defense program?

Mr. NELSON. Well, I don't know, sir. Of course, you have got the new construction, and then after the new construction comes the production.

Mr. FULTON. That is correct.

Mr. NELSON. And I felt at first, as some others did, that what we were doing was filling up the pipe lines throughout the economy on this defense, and when we got those filled up the overflow would then go along normally; but, you see, the program keeps on going up, rising, so that you have to keep on filling more pipe lines. As you build more tanks and more airplanes and more of everything else, as more appropriations come to the front, it takes a larger and larger percentage of many of these things.

Mr. FULTON. But I was thinking at the present time it is common knowledge that we are not building so very many tanks or airplanes or other things—

Mr. NELSON. Oh, we are beginning—

Mr. FULTON. At least, we are building very few as compared to what we expect to build within the next year.

Mr. NELSON. That is very true.

Mr. FULTON. That being so, I was wondering whether the shortage of materials that we are experiencing now, as there is a very real shortage, is due to new construction rather than to production.

Mr. NELSON. In some things that is true.

Mr. FULTON. In the case of steel, for example, I recall in the Gano Dunn report it was reported that 15,000,000 tons were expected to be used during the next year for construction.

Mr. NELSON. We are now expecting to use some 35,000,000 tons in 1942 in straight production.

Mr. FULTON. If the shortage is 5,000,000 tons, which I believe is the figure you gave a few minutes ago, part of that shortage could be alleviated if the new construction program could be somewhat lessened,

and that would lead up to the question of whether it is not vitally important, from the standpoint of saving strategic materials, to utilize existing business facilities as much as possible rather than to construct new facilities that would use the same thing.

Mr. NELSON. I have always been one who has worked very energetically toward the use of present facilities, rather than building new ones, wherever it is possible. I think that we are at last beginning to get some action in that direction, which looks very encouraging to me.

Mr. FULTON. Yes; I know you have been, Mr. Nelson. In that connection, have you made any study, or did you make any study when you came into this new position that you have, of the extent, if any, to which that had perhaps not been fully carried out before?

Mr. NELSON. No; I did not, sir. I didn't. You see, at the same time S. P. A. B. was created this contract-distribution service was formulated by Executive order of the President under Floyd Odum, and that is his job, so that I have done very little in that respect except to work with him to try to find a way to alleviate as much of the hardship of the smaller businessman as we could. We are studying that problem all the time. I have a man who is just studying the problem of how we can help to take care of that thing, how we can take care of the fellow who has a very small amount of material, and who, by means of a small amount of material, can put a large amount of labor with it and make a lot of product. We certainly ought not to put that fellow off—for example, an eyeglass manufacturer, manufacturers making hearing devices or things of that sort, where relatively a small amount of material will be processed with a large amount of labor. I think that if this program gets much deeper than it is at present we ought to make provision for that small amount of material which will employ a large amount of labor.

Mr. FULTON. Of course, that means that you have to deal with really tens of thousands of cases.

Mr. NELSON. I don't think so, sir. I think you will find those in industries, and again, as the Senator said, I think we have got to deal with industries as a whole and treat them all alike, maybe taking a few isolated cases where it is perfectly clear that justice would be served in the case of a smaller manufacturer by giving him some material to enable him to make a change-over period or something of that sort.

I want to set up in our priorities scheme a special Hardship Division. There are two things that I want to set up that I haven't set up yet. I am working on one of them right now, and I hope to get at the other next week. One is an appeals board. I feel that we ought to have an appeals board, headed by a public character, a man in whom the public would have confidence, so that if they felt that injustice had been done, or if they felt there had been discrimination, they could come before that board and it could be brought directly to the attention of anybody—this committee or anybody else. First it could be brought to the Director of Priorities, and if we don't take action it could be brought anywhere. I think that an appeals board is a very important part of our procedure. I think it is an important part of any governmental procedure that is as deep as this priorities thing is and affects as many people.

Senator MEAD. You are not open for nominations now, are you, Mr. Nelson, for that public character?

Mr. NELSON. Yes.

Senator MEAD. I will give it some thought.

Mr. NELSON. Yes; we are open for nominations, sir. I would like to get a man of unquestioned judgment so that the public at large would have confidence in him.

Senator BREWSTER. Mr. Nelson, would your board have final executive authority under the President to resolve this question we are concerned with about a pipe line?

Mr. NELSON. Yes, sir; because that is a straight allocation of materials.

Senator BREWSTER. And is that under study now?

Mr. NELSON. Yes, sir; and we have already made one decision with respect to it which narrows it down. At the second meeting of S. P. A. B. the Board ruled that there would be no diversion of steel plate to pipe line. We felt that it was more important to use the steel plate in the building of ships, battleships, and railroad cars, and things of that sort than it was in a pipe line. That was the narrow part of that decision.

Now, the whole question of the pipe line is under study, and we have asked the Petroleum Coordinator's office to give us a general outline of how much steel is going to be needed in the industry for this pipe line and other pipe lines—feeder lines, gas lines, and so forth—so that we will know what the total over-all requirements are going to be.

Senator BREWSTER. Is this study under way on additional power facilities?

Mr. NELSON. No, sir; not as such, not under S. P. A. B. We have been relying there upon the Power Commission.

Senator BREWSTER. And do they have a division in O. P. M. or S. P. A. B. on the power problem?

Mr. NELSON. Under O. P. M., sir.

Senator BREWSTER. Under O. P. M.

Mr. NELSON. That is right, under Mr. Krug.

Senator BREWSTER. And is it their duty to determine what our power requirements are likely to be next year?

Mr. NELSON. That is right, sir, and to work with the Power Commission in that to know what power is needed, and so forth.

Senator BREWSTER. Then they would notify you, and the necessary priorities would be issued for the additional equipment?

Mr. NELSON. That is right, sir.

Mr. FULTON. With respect to this situation that you speak of—the appeals board and the hardship committee—those would tend, you feel, to take care of the situation where there might possibly otherwise be an injustice?

Mr. NELSON. Yes; I think that we ought to have a place where charges or favoritism—all those things—can come out. To my mind, all of those things destroy confidence in the whole program. Whenever there is discrimination or rumors of discrimination, oftentimes we have traced down a great many of them. We haven't found many yet. They have been mostly in the rumor stage. But if they know that here is a group that can take those cases, process them, find out the facts, and arrange for a hearing, if necessary, I think we will go

a long way toward establishing confidence that what we are doing is the two basic principles of good administration, as I told you. First, is it necessary that this hardship be put on an industry or group, and, secondly, has everybody in it been treated alike?

Mr. FULTON. And you propose to act on these even though, with respect to the smaller companies, it means really a great multitude of different actions that have to be taken?

Mr. NELSON. Many times that, of course, would result in calling a whole industry before the Board and letting an industry have a chance to have its appeal heard, or special members of an industry could have special hearings, just as they do in Wages and Hours, and in other places where it may work hardship.

Mr. FULTON. When you came into this new task that you have undertaken, did you find that the applications of the smaller industries had all been taken care of, or did you find a large backlog of those as to which there had been delay?

Mr. NELSON. Oh, there was a tremendous backlog of things caused by a number of factors—space, personnel. There has been a lot of handicaps. Of course, they were handicapped for space. Not having adequate space to put personnel is a handicap. That is being taken care of now. We are getting additional space. Changing the methods of procedures and a lot of things of that kind have enabled us to get many of them through. But I think that all I did when I came into this job was to patch it up. It will fail again, it will break down again, unless we can get to a better system of doing it. Just on the basis of issuance of priority ratings, in my opinion, it will break down again.

Mr. FULTON. You mean there will be another pile-up?

Mr. NELSON. There will be another pile-up because what will happen now will be the effort to get a higher priority rating. For example, if you can only allocate down to, we will say, A-2, and a fellow from A-2 is down to B-8, or wherever you have him, he can get no material, and the whole effort then is to try to get up where he can get some material. When you get everything up so that it is AA, then you start all over.

Mr. FULTON. Of course, if the ratings are right in the first place, you couldn't radically change them. There wouldn't be that many errors in it.

Mr. NELSON. Well, it is difficult to make them right in the first instance, because you have a lot of demands you have to weigh. This is a tremendous problem. Don't underestimate the size of it. It is a question whether any man has ability or vision enough to be able to work it out during these stages. It may have to evolve, but we haven't time for that evolution. It has to be done quickly, because the whole defense program depends upon it and the whole working of the civilian economy depends on it.

Mr. FULTON. It is even better to do it quickly than it is to delay unduly and perhaps be a little bit better finally, because, after all, the man has to have it now.

Mr. NELSON. We have got to weigh those two things, and do it partly right and partly wrong.

Mr. FULTON. But you have established a method of handling these matters more expeditiously.

Mr. NELSON. That is being done, and I think you will find that industry in general will tell you that they are getting action quicker. It isn't quick enough yet. Some of the projects take too long. We are working on that. It still isn't anywhere near where I would say I would want to see it.

Mr. FULTON. Now, with respect to supply, did I understand that in the case of copper there were two prices on which there might well be justification, one being the price set for regular copper production and another being a special price to bring in production which would otherwise be submarginal and not capable of coming into the market?

Mr. NELSON. That is right, sir. S. P. A. B. is committed to the two-price system rather than raising the one price.

Mr. FULTON. Because, otherwise, if you raised the one high enough, it would result in an unduly high profit to those who were capable of manufacturing regularly.

Mr. NELSON. That is right. We are committed to the two-price system, and additional supplies can be had at the higher price, if the agencies are prepared to pay that higher price.

Mr. FULTON. In that way we will increase somewhat the supply.

Mr. NELSON. That is right, sir.

ALLOCATION OF MATERIALS FOR ARMED SERVICES

Mr. FULTON. Now, with respect to the demand, I understood you to say that no demand control could be successful unless you also exercised a coordination control over the needs of the Army and the Navy. Does that mean that a study is being made to ascertain which things they need first or which quantities they need fastest so as to make sure that the program flows smoothly and that we get the most advantage out of our materials?

Mr. NELSON. Well, let me put it this way: One of the early decisions of S. P. A. B. was that we need to know the requirements of our armed services so that we can translate them into basic materials, so that we could know exactly where we are. We need to know the requirements of lend-lease, of defense aid, and so forth, of South American economy, and those figures are now being prepared, so that we will have some idea of what the all-out picture really is and really looks like. Now we are making a study with the Army of just how the material is being produced in, say, copper. Taking that copper segment, it is finding out exactly how much each manufacturer is actually processing during that month and how much he needs to process during that month, looking forward to a rough over-all allocation plan for copper.

I consider that it is vitally essential for the services to determine themselves on a strategy basis what comes first. I don't believe it is our job to try to tell them that you should have airplanes come out first and tanks later. I think that is a pure strategy question, and it should be left to the experts to determine. I think it is our job to take what they determine they need, to try to find out the ways and means of meshing them with the civilian economy, so that they get them when they want them and in the quantities they want, and at the same time working it out so that the civilian economy moves along at the same time and doesn't suffer unnecessarily.

Senator BREWSTER. Right there, Mr. Nelson, take the specific item of armor steel.

Mr. NELSON. Yes, sir.

Senator BREWSTER. That is wanted by the Army for tanks, by the Navy for battleships and destroyers, and by England for lend-lease requirements.

Mr. NELSON. That is right.

Senator BREWSTER. Where is the determination as to that allocation as between those three agencies?

Mr. NELSON. Well, that is occurring at the present time in our steel committee by the agencies themselves working it out. The Army and Navy Munitions Board is the group, in the first instance, that determines the relation between Army requirements and Navy requirements and attempts to work out the lend-lease.

Senator BREWSTER. Well, that is the point I am coming to. Up to the present time they have exercised jurisdiction as to lend-lease as to how much could be diverted.

Mr. NELSON. They have attempted to work it out, sir. They have attempted to work it out so that all got as much as they could. Now, S. P. A. B. can make the determination with respect to Army and Navy and lend-lease.

Senator BREWSTER. That is, you have real authority there.

Mr. NELSON. Have real authority to make that determination as between what is allocated out of the economy. We haven't the authority to determine any of the allocations of finished material at all. That we have no authority for.

Senator BREWSTER. Well, I know there has been very considerable concern because I assume that the problem is going to become increasingly acute in a situation like that as between those various agencies. It is simply important that there be a decision.

Mr. NELSON. That is true.

Mr. FULTON. That whole general problem also goes down through the details, such as for example, you may need so many million rifles, but you don't need the second million rifles until you can equip the soldiers with the other articles which they need in order to go to combat. There would be some question as to whether you might not perhaps be making the second million rifles before you were making the first million of something else without which the second million would be quite useless, and there would be a question of how to determine those particular questions.

Mr. NELSON. I have found in every case where you called to the attention of the Army and Navy anything like that that occurred through inadvertence or mistake they are very quick to correct them. I have never seen any necessity for a decision in that field at the present time because there has been splendid cooperation on the part of the armed services on that.

Mr. FULTON. So far as you know, do they have a set-up within their own organization which determines those particular phases?

Mr. NELSON. Yes; they do. That is done through the Army and Navy Munitions Board through the direct priorities ratings on those things.

In other words, they will give a 1-A to things very essential, and the first million of something may get a 1-A and it drops down to a

1-D. They are constantly reviewing that in the Army and Navy Munitions Board.

Mr. FULTON. They attempt to prevent that?

Mr. NELSON. That is right, sir.

Mr. FULTON. And then that, of course, will apply to the manufacturer who having a different priority would not be able to make it unless he had an inventory.

Mr. NELSON. That is right.

Mr. FULTON. Now, if he had obtained an inventory, on the basis of his contract produced certain number of articles——

Mr. NELSON. We will have now knowledge of his inventories.

Mr. FULTON. You will have knowledge of the inventories and you will review that and, in effect, take it away from him even though he is a defense manufacturer.

Mr. NELSON. That is right, sir.

Mr. FULTON. And give it to the defense manufacturer that has prior rating.

Mr. NELSON. Who may need it more.

Senator MEAD. I suppose that the military leaders are naturally anxious to have all the material that they require for the present Army needs delivered to them as quickly as possible.

Mr. NELSON. That is right. Their job depends on that. I have always recognized that they consider that their job, and I consider it our job to try to work in the civilian economy and those things so that they mesh rather than——

Senator MEAD (interposing). I presume the same is true of the Navy officers.

Mr. NELSON. That is correct, sir.

Senator MEAD. They are anxious to get all the material they require for the Navy, and that applies to the marines as well. Now, then, who has the determination or what effect would your agency have upon the possibility of overemphasizing the furnishing of materials to the Army and Navy as against the furnishing of materials for lend-lease aid abroad? For instance, if we determine to increase the size of our Army and constantly augment the size of our Navy, and keep up a very huge construction program, we will send a very small amount of lend-lease aid abroad where it could be used immediately. I don't know how much lend-lease aid we are sending abroad, but it occurs to me that somebody ought to determine whether or not that ought to be 50 percent, 75 percent, or 90 percent, and whether it would be advantageous for this country to build a huge army and to increase its naval bases, or whether it would be to our distinct advantage to keep everybody fighting the aggressor fully equipped with everything they need.

There has been enough power thrown in the field against the aggressor to destroy him. I presume that his forces have been outnumbered, so far, 10 to 1, but they haven't had the tools to fight with. Now the great need today is for materials, for supplies, for military equipment, but are we taking too many of them or too little of them for local needs, or are we sending too many or too little for the lend-lease program abroad?

Mr. NELSON. That, sir, does not come within my——

Senator MEAD (interposing). It doesn't come within your agency?

Mr. NELSON. No, sir. S. P. A. B. specifically has not the power to determine how the matériel shall be distributed.

Senator MEAD. You haven't any power, then, either to reduce or to expand the Army development program, the construction program, Navy expansion, and so on.

Mr. NELSON. No, sir. Our job is working out the allocation of materials as between them—materials from which it is made.

Senator MEAD. Of course, that would have an effect upon their supplies.

Mr. NELSON. But the question of that is determined entirely by the Commander in Chief.

Senator MEAD. So that if the Commander in Chief is anxious to build up a very large army and to secure a huge amount of materials, that means that there will be just so much less lend-lease aid abroad.

Mr. NELSON. That whole field doesn't come within my purview at all, sir.

Senator BREWSTER. Here is a specific question which I think you can answer. In June, this year, the Army ordered 400 aluminum Communion cups. Would you have considered that a vital use of aluminum if you had been functioning at that time?

Mr. NELSON. Well, I am not sure. I think it would depend a great deal upon the use. For instance, we had a lot of aluminum for canteens. Every ounce that you put on a man's back, when he is walking a long number of miles a day, is a great weight, and in spite of our great need—

Senator BREWSTER (interposing). I was speaking of Communion cups.

Mr. NELSON. I don't know who carries them or how much they weigh.

Senator BREWSTER. Those are simply in the stationary chapels at the cantonments throughout the country. I don't think they are field equipment.

Mr. NELSON. I don't know of that particular problem.

Senator BREWSTER. That came at the time of the aluminum shortage.

Mr. NELSON. What has happened, sir—and I can truthfully tell you we have had excellent cooperation from the Army and Navy—is that we have reviewed their specifications, and maybe that was one of them that was missed as Director of Purchases. We had a technical committee which works in the technical committees of the Army and the Navy, and where there was some element of doubt as to whether they should or should not make a substitution, I found them very agreeable, making substitutions wherever necessary. And I say as to the particular canteen, I don't know about the Communion cups.

Senator BREWSTER. We had a very pertinent and immediate illustration yesterday in Naval Affairs when there were 400 new boats for coast defense required. They may be wood or steel, and the admiral testified that he had no particular knowledge as to the shortage of steel. That is something that rather startled us. In other words, here was a type of boat which might readily be made of wood. It might be preferable in steel, but it could be of wood. It seemed to us that someone in your position should be very definitely consulting the Navy.

Mr. NELSON. We are in a position to be consulted on that, because we make the allocation of steel for these things.

Senator BREWSTER. Yes.

Mr. NELSON. Steel is on approximate allocations now, not wholly down all through the line, but there are rough allocations of steel being made.

The CHAIRMAN. Any other questions, Senator?

Senator MEAD. I just want to conclude, Mr. Nelson, by saying that we are either going to be an arsenal for the democracies of the world or else we are going to build a gigantic military machine over here to take the job over. It occurs to me that it is the policy of the Government and of the Congress, as stated in political debates, that we are the arsenal of the democracies, and wherever your agency has any power over materials or priorities, we ought to emphasize that over the huge expansion of our military. In other words, we ought to give them over there, who are now doing the fighting, all the material we possibly can. We ought to emphasize that part of the program so that perhaps the fighting would never get over here.

Mr. NELSON. I have seen that emphasized pretty well.

Senator MEAD. It looks to me as though some of our military chiefs are thinking of taking over the job themselves, thinking they could do it better. That isn't the policy of the country. When it comes to priorities, I believe you men ought to emphasize that policy.

The CHAIRMAN. Mr. Nelson, I want to say I think I speak for the committee in that we are encouraged at the progress you are making. We want to compliment you on making an attempt to do a good job. I think if you carry out what you have in mind, you will do a good job.

Mr. NELSON. I am not at all satisfied with the job.

The CHAIRMAN. We don't want you to be satisfied with it. When you become satisfied with it, we will commence tearing you apart and seeing if we can get somebody else to do it.

Mr. NELSON. I will deserve it. Thank you, gentlemen.

The CHAIRMAN. The committee will recess until Tuesday, when we will hear Mr. Odum on the little-business proposition. Mr. Hillman has asked for a postponement. He didn't want to be heard on Friday, so we are asking him and Mr. Green and Mr. Lewis to come on Wednesday of next week.

(Whereupon, at 12 m., the committee adjourned until 10:30 a. m. Tuesday, October 21, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

TUESDAY, OCTOBER 21, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Wednesday, October 15, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, Ralph O. Brewster, Mon C. Wallgren, and Joseph H. Ball.

Also present: Hugh A. Fulton, chief counsel.

The CHAIRMAN. Mr. Odlum, will you be sworn, please? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ODLUM. I do.

TESTIMONY OF FLOYD B. ODLUM, DIRECTOR, DIVISION OF CONTRACT DISTRIBUTION, OFFICE OF PRODUCTION MANAGEMENT

ORGANIZATION AND FUNCTIONS OF DIVISION OF CONTRACT DISTRIBUTION, O. P. M.

The CHAIRMAN. Will you be seated, please, and give your name and connections to the reporter?

Mr. ODLUM. My name is Floyd B. Odlum. My residence is Stamford, Conn. I am Director of the Division of Contract Distribution of O. P. M. In private work, I am president of the Atlas Corporation, with offices at 1 Exchange Place, Jersey City, N. J.

The CHAIRMAN. Mr. Odlum, this Senate committee is particularly interested in the progress that is being made in the distribution of contracts to small business. Have you a report that you would like to make to this committee on that?

Mr. ODLUM. Yes; I have, Senator.

I would like first, if I may, to describe the situation that I found when I came to Washington to take up this work, and what we are doing to try to meet the problem as I see it. I should then like to cover some of the particular things that we have accomplished to date and present some of the major situations that we are working on in an endeavor to solve the problem in a blanket way rather than on a piecemeal basis.

The CHAIRMAN. Proceed.

Mr. ODLUM. The functions and duties of the Division of Contract Distribution are set forth in the Executive order of September 4, 1941, and it will be helpful to an interpretation of the scope of those

duties to have also the release which accompanied the issuance of the order. In order that the record may start with that, without attempting to read it, I would like to place the Executive order and the release in the record.

The CHAIRMAN. It will be placed in the record at this point.

(The documents referred to were marked "Exhibit No. 122" and appear in the appendix on p. 2725.)

Mr. ODLUM. I would like to say this concerning the order in a very general way. The Division of Contract Distribution has no power whatsoever to place any orders for the purchase of anything. Its powers are not specific as to action. They are very broad in scope, but they are also general. A reading of this order will show that the powers are limited to formulation, development, stimulation, promotion, facilitating, and cooperating.

Senator BREWSTER. Isn't there a blanket order that anything over \$500,000 must be referred to the O. P. M.?

Mr. ODLUM. That is not a matter of the Executive order. That is a procedural matter that has been worked out between the O. P. M. and the various services.

Senator BREWSTER. But it is the actual practice.

Mr. ODLUM. It is an actual practice; yes.

Senator BREWSTER. What further functions are you to have below that \$500,000?

Mr. ODLUM. Well, we have just as many functions below that \$500,000 as we can work out through planning, formulating, promoting and stimulating.

Senator BREWSTER. Does it still rest entirely on your selling your service to the agencies involved?

Mr. ODLUM. Yes, except that the Executive order directs the services to cooperate.

Senator BREWSTER. The difficulty before was that while there were directions, they were not of a mandatory character.

Mr. ODLUM. I think the directions in the Executive order are rather mandatory in character, limited to the word "cooperation," however, and cooperation is being had. We are making progress and much more progress than was ever made before the creation of the Division or the issuance of that Executive order. I would like to come to that as I go along.

Senator BREWSTER. Fine. Excuse me.

Mr. ODLUM. Essentially, I conceive the duty of this Division is to spread work just as far as it can be spread, by bringing into the national-defense productive effort just as many of the plants in the United States as possible. Many are being cut off from their civilian supplies and, therefore, must be brought into that effort or perish.

In the analysis of that, it will be found that many plants—how many no one knows, and it will take some time even to have a rough idea as to how many—cannot be converted to defense effort for one reason or another. That leaves a problem and raises an issue that may or may not be a part of the duties of the Division of Contract Distribution.

Senator BREWSTER. Are you clear about that yet as to your function?

Mr. ODLUM. I am clear as to what certain of my functions are, but I am not at all clear as to the outer limits of those functions.

Senator BREWSTER. The Army and the Navy are simply concerned with getting defense materials, not with our civilian economy. Now, do you take that other field of civilian economy?

Mr. ODLUM. So far as the Executive order is concerned, if I take it at all, it will be only because of a section in the preamble of that order which deals with alleviation of unemployment that is arising as a result of priorities and raw material shortages.

Senator BREWSTER. That is included in the order?

Mr. ODLUM. That is included in the order.

Senator BREWSTER. In the preamble, you say?

Mr. ODLUM. In the preamble; yes.

Senator BREWSTER. And did you construe that as placing a responsibility on you to consider these small industries that cannot be defense?

Mr. ODLUM. I consider that that will give me authority to deal with that subject in the way of a recommendation at least, although it probably does not give me authority to take any directive or affirmative action beyond that. It is the outer fringe of my authority, if I may refer to that. It is a questionable field.

Senator BREWSTER. That would come to Priorities, wouldn't it?

Mr. ODLUM. That would come primarily to Priorities and Civilian Supply, I believe; yes.

Senator BREWSTER. And what are your relations with S. P. A. B.?

Mr. ODLUM. Well, the Contract Distribution Division is a division of O. P. M. There are six other divisions of O. P. M., and O. P. M. in turn reports to S. P. A. B. in certain ways. I have had so much to do in trying to pitch the hay that is directly before me that I haven't tried to figure out the relationships between the various agencies in Washington; up to now I haven't had time to do it—nor have we reached the point where it is necessary to do it.

The CHAIRMAN. I haven't yet found anybody who has been able to figure that out, and if you can do it, you are a genius.

Mr. ODLUM. Before going to the question of problems and accomplishments, I would like to present the situation as I found it when I took office on September 8 or 9. I was able to get for myself one office, not too large, but not too small. There was a predecessor group or bureau, not a division, known as the Defense Contract Service, that had some space in the Social Security Building, and this space was completely filled with personnel they then had. I think they had about 40 employees in Washington in total. I am not sure of the exact number. My first job was to get some manpower together. I had been handed a job that was about equivalent to shoveling away a mountain with one shovel (that is, myself) at first, and I had to get some additional shovels and then some bigger tools to work with.

The first four people that I gathered together to help me I had to put in my own office, so there were five of us working in that one office, with conferences going on and telephones ringing around, and you can well imagine that that is not very conducive to work and particularly to planning.

As we have brought on more men—and we have been trying to get them as fast as possible—we have had to pack them around like sardines here and there and any place they could be put in. It is not

organization—it is just getting men, and they work on a hit-and-miss, spot job basis.

Of course, the Executive order creating the Division says that we must work within the limitations of the budget. Therefore, my first job—my first of many urgent jobs—was to find out what we had to do to get ready to do the work that was before us and to try and get a budget to authorize us to get the manpower to do that job.

I have called in to help me in that connection an engineering advisory committee, which was also called for formation by the Executive order, and also certain people who were experts on budget matters, particularly the retired head of Price Waterhouse, certified public accountants. We had determined that we needed about 4,000 men to do this job with any degree of success. About 800 of those people—850—will have to be in Washington. The rest of them will be scattered throughout the United States, working from the small people up.

The CHAIRMAN. Where will these people be located who are situated out in the country, outside of Washington? Will they be in the industrial areas?

PROPOSED EXPANSION OF DIVISION OF CONTRACT DISTRIBUTION

Mr. ODLUM. Yes. I might say this, that as I found the situation when I came, the Contract Service had 39 offices in the field (exclusive of 25 suboffices) outside of Washington. They had been organized along Federal Reserve district lines, for two reasons. First, that was the simplest way to organize; second, the Federal Reserve very kindly cooperated in that organization and were supervising the personnel and paying practically all of the pay roll and giving free rent. So that it automatically was along Federal Reserve lines and limited to the Federal Reserve banks and branch banks.

It seemed to us from the studies that we had made and from the studies that had been made prior to the issuance of this Executive order, that it was necessary to get out much nearer the industrial people, the factory owners, and much more spread than could possibly be done in that way. So we determined upon a State as a unit for operation. We are planning, to open offices, one office at least, in every State in the United States. We are planning, in the industrial sections or when one State is spread over a very wide territory, to open more than one office. We have had so many things to do in the limited space and with the manpower available that we have had to give a dozen different trains a little push here and there, but this opening of offices to get out to the grass roots is one of the things that we started early.

I have had several men devoting their entire time to that. We have opened 15 additional main offices during the last 3 weeks. I have a map here of the offices that are today in existence and a map of the additional locations that have been definitely decided upon, if you would care to see them.

I might say, in general, that we are moving along with a program of opening offices until we will have somewhere between 150 and 200 offices scattered throughout the country.

Senator BREWSTER. Would it not be well to have that list of the ones he has determined on so far in the record?

The CHAIRMAN. I would be glad to have those that you have determined upon in the record and also the ones that you propose.

Senator BREWSTER. You can have the list prepared later.

Mr. ODLUM. I hand the map here for the record.

The CHAIRMAN. Mark that as a document. We can't put the maps in the record because the printer can't print them.

Mr. ODLUM. I will give you a list.

The CHAIRMAN. Give us a list to go in the record, and we will make the map one of the marked documents of the committee.

(The list and map referred to were marked "Exhibit No. 123"; the map is on file with the committee, the list is included in the appendix on p. 2728.)

Senator MEAD. Mr. Odlum, I wasn't here at the beginning of your statement. I only came in when you talked about small room, four or five employees, and conferences being held while the employees were trying to do their work. I am wondering if you said anything about the organization that had already been set up under a prior Executive order, the ground work which they had accomplished, the offices and the experience which they gained, or if you were talking about starting this entire program anew.

Mr. ODLUM. No; I had covered the organization that was there when I came in.

Senator MEAD. You inherited an organization and space and experience and considerable——

Mr. ODLUM (interposing). I inherited some organization, some space, and some experience; yes. I inherited an organization in New York of about 40 or 50 people, and an organization in the field consisting of 39 offices with about 400 people in those offices.

Senator MEAD. Then you took over Mr. Mehornay's office and the employees who were employed in those offices?

Mr. ODLUM. That is correct, sir.

Senator MEAD. Then I misunderstood you. I thought you had just a small office and four employees and had to start all over.

Mr. ODLUM. I want to say, while on that point, that we have even had to use the halls outside my room. I have had as many as three and four conferences going on with just a bunch of chairs put out there, with groups of various industries sitting around in the hall, trying to work with certain members of our organization.

I want to say, also, by way of apology to perhaps some Members of the Congress, that so far as my work personally has been concerned, if I had been triplets, I couldn't possibly have answered the personal calls that came to me and for nobody else, from no one else except Members of Congress and high Government officials and high State officials. I have had as many as four and five hundred telephone calls a day from throughout the United States to talk to me and to nobody else. If I had nothing else to do, I couldn't possibly have covered all of that ground.

Senator BREWSTER. I think that if you don't show discrimination in that regard, nobody will object. Everyone has an equally fair deal, do they?

Mr. ODLUM. I want to say, also, while I am on that point, that if every member of my organization had done nothing else except to give a few minutes to every man who has been sent into that office, personally, and to try to answer the more important correspondence that has come in, we wouldn't have done anything else and we wouldn't have gotten around to it. We have had our file room working three shifts a day, morning, noon, and night. We have got important correspondence stacked up there that it was impossible to answer. I have men that I have had to send away. They have worked 18 and 20 hours a day until they were wilting before me, and I have had to send them out of the office.

The CHAIRMAN. You know, the object of this thing is to get contracts for little business, and correspondence and conversations are not going to get it.

Mr. ODLUM. That is true.

The CHAIRMAN. And if you don't go to work and cut this red tape and find out who is responsible for these things, your time will be wasted just like everybody else's, and what we want is——

Mr. ODLUM (interposing). I am trying to point out that I can just not cover all the things that come in.

The CHAIRMAN. Employment for little industry. There are thousands and thousands of little industries being put out of business all the time, and unless you do something concrete to stop it, we are just lost.

Senator BREWSTER. Now, have you formulated a budget for your concept of the program?

Mr. ODLUM. I have.

Senator BREWSTER. And has that been approved yet?

Mr. ODLUM. It has not.

Senator BREWSTER. What is the status of that now?

Mr. ODLUM. I have to appear personally before the Budget Committee tomorrow morning at 10 o'clock to answer any questions. The budget has been in before them I should say about 10 days now.

Senator BREWSTER. That is the Budget Bureau?

Mr. ODLUM. I am not clear what it is.

Senator BREWSTER. As distinct from a congressional committee?

Mr. ODLUM. I think so.

Senator BREWSTER. Then they will recommend to the congressional committee.

Mr. ODLUM. Yes. Would it interest you to know what that budget amounts to?

Senator BREWSTER. I think it would be very helpful.

Mr. ODLUM. The budget calls for \$23,470,725 to carry on the work of this Division for 1 year.

Senator BREWSTER. Is that 12 months or until next July?

Mr. ODLUM. That is 12 months. It has been divided, for the purpose of presentation, into quarterly periods, and the amount needed ascends as the periods go on, because we can't get enough organization in the first 3 months to use up the quarter of the annual appropriation. But that provides, I think for about 3,800 people.

Senator BREWSTER. Do you have any knowledge as to whether that will eliminate any other agencies or functions?

MR. ODLUM. I don't think that will eliminate any other agencies or functions. I think that is superimposed on every other thing that is going on. I don't see that it is going to save anybody else any particular amount of work. I think that this is a field that has not been covered, and to cover it, we must start practically from scratch.

SENATOR MEAD. It was covered in the past in a sort of advisory capacity, that is, the organization that preceded yours had only advisory powers when asked for information, and so on.

MR. ODLUM. Well, it was covered to a degree in an advisory capacity in the past with an organization consisting of about 5 or 6 or 7 percent of what I think is needed to do the job. I am not sure that the organization lacked any power in the past that I have now. I don't think they did. I think the only difference between then and now is that my powers stem from an Executive order of the President, and, therefore, they have a great deal more dignity and force and weight than they had before, when they were imbedded in a lot of general powers.

SENATOR MEAD. As I understand it, the organization that preceded you could only make recommendations when asked for them. In other words, they were without any power to initiate action themselves. That is the evidence that was given to us.¹

MR. ODLUM. I don't believe that is true, although I haven't given my time to looking into the past. I have been looking into the future.

SENATOR MEAD. That is the information that was given to me by one of the members of that service.

MR. ODLUM. I think they had all the powers that I have now.

DISTRIBUTION OF DEFENSE CONTRACTS TO "CERTIFIED COMMUNITIES"

THE CHAIRMAN. Is it your intention to go into the Navy Department and the War Department and wake these fellows up and let them know that there is somebody else besides the 60 contractors that have all the contracts?

MR. ODLUM. Exactly.

THE CHAIRMAN. We have 90 percent of all the contracts, I think, in less than 60 contracts—90 percent in value—and unless somebody goes in there and takes a big stick and makes them perform, they are going to do the same thing again, because that is the easy way. They hate to keep books; they hate to look after these things, and that has been the difficulty. Are you going to exercise the power that you now have to go in and make these fellows perform?

MR. ODLUM. We are going to exercise every bit of power we have got and more if we have it.

SENATOR BREWSTER. I think it should be perfectly clear in the record—I want the Senator from New York to get this—that before he came in I think Mr. Odlum has made it perfectly clear that under the Executive order it is only that there shall be cooperation. There is no further power lodged, as I understand Mr. Odlum. It is simply mandatory on the various Government agencies to cooperate with Mr. Odlum. I still feel that further power should be placed, personally.

SENATOR MEAD. It was not mandatory on the part of other govern-

¹ Testimony of Robert L. Mehornay, Hearings, Part 5, p. 1373.

mental agencies to cooperate with his predecessor organization, according to the information they gave us. They could inject themselves only when they were invited.

Mr. ODLUM. Now, with your permission, this work divides itself into specific day-to-day accomplishments while we are going ahead on what I call the spade work and the major planning; and then it divides itself into what we are doing in the way of major planning to try and get the job done as a whole. The second is the more important, of course, because while there are day-to-day accomplishments, they are small in proportion to what must be done. I would like, with your permission, to cover some of these actual accomplishments briefly before we go on to some of the major things we are working on.

The CHAIRMAN. Proceed.

Mr. ODLUM. In the first place, a procedure was worked out between the O. P. M. and the armed services, which I believe has been referred to before, whereby distressed communities, when brought to the attention of the O. P. M. by the Labor Division of O. P. M., would be checked by my division. We would find what the unemployment situation was. We would determine upon what remedial action could be applied, and then if we found the facts right, would certify it to the Director General of O. P. M., who would, in turn, certify it to the armed services for prompt action. Under those circumstances the Army, in accordance with its own directives covering the subject, could do away with competitive bidding and to give orders on a negotiated basis to these communities, either experimental orders or not, to tide over the emergency.

Since I took office we have had 10 such communities certified to our Division by the Labor Division. We have checked all 10 of those communities, and we have certified all 10 of those communities to the War Department or the armed services for action. Action has already been taken in some of those cases, such as Manitowac, Wis., which was the first one certified, and action has not been taken in some of the later ones because they haven't had time to take action since they have been certified.

I will say that these communities together had a population of about 600,000, that about 6 percent of their workers were in defense work, and that they were being hit very heavily by priorities, and that over half, probably 60 percent, of their workers were going to be thrown out of employment altogether unless remedial action should take place. There was a total in these towns of one hundred sixteen to one hundred twenty thousand workers.

The CHAIRMAN. Would you put that list in the record?

Mr. ODLUM. Yes; and I have a list here. I have my own copies of the certifications that have been made, and I can drop the matter here or I can briefly cover each one of those 10, if you would like.

Senator BREWSTER. I think then if anyone had any questions, he could refer to your records if he needed to.

Mr. ODLUM. The 10 that have been certified are: Manitowac, Wis.; Meadville, Pa.; Evansville, Ind.; the Kenosha-Racine, Wis., area; Grand Rapids, Mich.; Newton-Kellogg, Iowa; Ripon, Wis.; Mansfield, Ohio; Greenville, Mich.; and, I believe it is Eton, Ga.

I will say, also, that we have under investigation about 40 more communities which have not yet been certified to us by the Labor

Division, but which the Labor Division has told us informally that they are studying.

We are trying as best we can with the manpower we have to keep this avalanche from descending on us a little later, when we will be badly prepared to take care of them. We have actually checked 10 of those, and if and when any one of those 10 receive a formal certification, we will be prepared to act promptly.

Mr. FULTON. Who initiates this?

Mr. ODLUM. They are initiated by the Labor Division of O. P. M.

Mr. FULTON. Until that is done, do you have any power to act?

Mr. ODLUM. We have no power until that is done.

Mr. FULTON. And their certification consists of a certification of the so-called blighted community. Does it also relate to an industry?

Mr. ODLUM. No. I am coming to that.

Mr. FULTON. Proceed.

Mr. ODLUM. I might say before that, that as and when we receive any form of formal or informal notification from the Labor Division of a community that is coming along for such study and remedial treatment we in turn immediately notify the Army and the Navy that that is likely to come up, so that they can place their forces at work, being prepared when the thing does get to a point of certification.

Mr. FULTON. What kind of organization does the Labor Department have to initiate the question as to which area should be looked over?

Mr. ODLUM. I haven't had time to find that out, but I know that they have a very wide-flung organization geographically and that they are much more prepared to bring certifications to our Division than we are to handle them when they get there. We are going to be way behind schedule if they bring us any fair proportion of what they say they are going to bring, because we haven't the manpower to take care of them.

Now, in addition to those distressed community situations, of course, there are whole industries that are in distress. Those industries aren't in any particular community. Sometimes they may be the main support of a community, in which event their distress brings on a community distress. Sometimes they are scattered widely geographically, and one plant in that industry may be in a town where, if the industry is shut down in that particular town, the labor can be absorbed by some other. The Labor Division won't certify a situation of that kind to us, but we believe—in fact, we are satisfied—that it is a part of our duty and our power and our authority to handle that sort of situation. Therefore, we are taking those up on our own, and we are taking them to the War Department; and whether they get to the War and the Navy Departments through certification or through notification, or something that is called something else, action is going to be had just the same.

The first one that we took up on that basis and certified to the War Department was the washing-machine industry. I believe there were 36 companies, if not more, involved in that. They had had priorities imposed on them so they couldn't go ahead except on a very restricted basis in the making of the washing and ironing equipment they were engaged in. We got the whole group together, studied the thing intensely, and finally certified specific remedial treatment to the War

Department. We organized them into a pool, and we asked two or three of the main units in that industry to act as prime contractors and the rest to group around them as subcontractors. I am happy to tell you that, as a result of that work, yesterday the washing-machine industry received a \$12,000,000 order from the War Department in connection with machine guns, which will solve for some weeks, if not months, to come their distressed situation.

Mr. FULTON. Which will bring their machine tools and machinery into the defense effort.

Mr. ODLUM. It brings their organization and machine tools and machinery into the defense effort.

Mr. FULTON. Which would otherwise remain idle and unemployed.

Mr. ODLUM. Yes.

We have gone ahead in many other ways, working on an industry basis. For example, the aluminum-wares industry. That came up in our first certification, because one of the major units in the industry was in Manitowoc. When the orders came through, as they have come through, from the Army, they not only helped out that unit in Manitowoc, which was the backbone of the town, but they also gave some orders to some of the other units in the aluminum-wares industry to tide them over their urgent situation.

We haven't stopped there.

Mr. FULTON. What kind of products were the 95 products to be produced?

Mr. ODLUM. Well, they gave canteens and meat cans and cups and what not that these people were qualified to make, and were needed or useful in the Army.

Mr. FULTON. Where were those things being made before this program became a little more intensive?

Mr. ODLUM. I can't answer that, because I was searching for what we could have made there rather than what had been made before.

Mr. FULTON. That was leading to the question of why it couldn't have been done before.

Mr. ODLUM. Well, they probably had established sources for those things in accordance with custom; they broke those precedents in this case, because of the urgent situation that we brought to their attention.

Mr. FULTON. And could you tell us later—we don't expect you to be able to do it offhand—whether those sources had been expanded in connection with the defense program.

Mr. ODLUM. You mean the old sources?

Mr. FULTON. Yes.

Mr. ODLUM. I am not able to tell you this morning, because that was covering ground that was less important to me than other ground.

Mr. FULTON. Generally speaking, if the old source had been expanded, and perhaps it had been, the recipient of public finances for expansion, at the time, could just as well have been shifted. It's the type of the thing we'd like to know of.

Mr. ODLUM. Well, that is one of the things I can get into as time goes on.

Now, we have also been carrying on further work to help out the distressed aluminum-wares industry. It is our conception that the aluminum-wares industry should find its ultimate help and salvation through the aviation industry. It was used to working in aluminum,

and its aluminum has been taken away from it for the purpose of making airplanes. We are satisfied that with the addition of some machinery large sections of this aluminum-ware industry can become subcontractors for the aviation industry, and after the first experimental period, which also causes jolts and jars, and according to the prime contractor slows things up, that they can become a very cohesive part and speed up the ultimate airplane program.

Mr. FULTON. For an example, they ought to be able to make an aluminum tank for gasoline.

Mr. ODLUM. Yes. There are many parts we have discovered and listed, about 40 or 50 parts, which we think that this industry can make for the aviation industry. We have held meetings with them; we have gotten together the complete list of their equipment and machinery; we have called in certain of the units from the aviation field to cover the ground with us; and I have started on the basis of trying to get various of the larger units in the aviation industry to adopt for the period certain of the specified items in the aluminum-ware industry.

The first that I tried specifically was the Curtiss-Wright Corporation, and about 4 or 5 days ago I received the agreement of Mr. Guy Vaughan, the president of Curtiss-Wright Corporation, that we might get representatives of two of the units in the aluminum-ware industry and bring them up to their offices in Paterson and in Buffalo, and that they would go through the works with them, give them the designs and things that they might possibly make, help them, show them how, lend them molds here and there, give them orders to develop them as an adopted part of the flow of work into the Curtiss-Wright plants, both engine and airplane.

I have also talked to the head of the Vultee Corporation along the same line. I have talked, generally through an intermediary in this case, with the head of the Lockheed Corporation. I planned to go to Los Angeles about the middle of November with some of these people in the aluminum-ware industry and take them right down into the plants of these aviation people, and try to get this thing finished and implemented, so that we have one industry that we have taken care of with ultimate help to the defense program and ultimate help to the airplane industry itself.

Another industry, of course, that is in distress is the automobile-accessory industry, and we are trying in two ways to help them. Temporarily, and immediately, we're trying to get some of the important ones pooled together so that we might get them remedial orders to carry them through for the time being. We think the ultimate help for that industry should come through the tank program. The tanks are being largely manufactured by prime contractors who were heretofore making automobiles, and this group of accessory people were feeding into the automobile field, and we think it important for the large automobile companies in their new work to also support to the fullest degree possible the same group of small subcontractors.

Mr. FULTON. Then, despite the statements made a year or two ago that tanks could only be made as new articles with new machinery, we find that at least many parts of the tanks can be made with existing machinery of automobile plants or accessory plants.

Mr. ODLUM. Many parts of the tank can be made with existing machinery and automobile-accessory companies. It's recognized that it can be done.

We have discussed not only with the services but with some of the major companies involved in this tank program the fanning out, the spreading out, of the work, not only in the tanks that are being made but, more important, with the new and enlarged program of tanks that is coming up.

We have received the statement in writing by these companies that they are going to foster this pushing on of work to the smaller units. We have had some of them agree with us specifically that they will agree to write into the contract that they will subcontract a certain percentage of this work among a minimum of subcontractors. We have taken up with the War Department the policy of actively getting every one of these new contracts for tanks getting the prime contractor specifically committed to this subcontracting and fanning out. We have put our own men, with the consent of the War Department, into the Ordnance Department, where they are planning on this new tank program so that we shall be in on the planning stage. We are having the tank broken down into its bits and pieces. We are spreading that around so that we can get as much of a group of people available to fit into that program as possible.

Now, there are many parts to a tank that it's impossible to do that with. They are big units; they can't be done in any other way except by some of the big automobile companies with their machinery or with machinery created for the purpose. I recognize that, as does everyone else, but we are trying to get the level of subcontracting much higher than it has been before, and we think we are going to succeed.

Mr. FULTON. Now that they can't make automobiles, they find that some of that so-called special machinery in the automobile plants is at least sufficiently general so that it can be used in tank production.

Mr. ODLUM. That is correct.

Mr. FULTON. Now, why didn't they find that out a year or so ago?

Mr. ODLUM. Well, they found it out a year or so ago, except they found it out to a smaller degree than——

The CHAIRMAN (interposing). They found it too late to do us any good.

Mr. ODLUM. I think there has been a small amount of subcontracting; everything is comparative.

The CHAIRMAN. I say very small.

Senator BREWSTER. I think Mr. Odlum's excuse is for the past. We are concerned with the future.

Mr. ODLUM. Now, the smaller units in the rubber industry have also been receiving our attention. There are a number of them that, due either to shortages of rubber, or shortages of orders, or the fact that they were largely feeding into the automobile field, are facing distress, and it's a matter of 30 to 60 days until perhaps 30 percent of the people engaged in all small rubber manufactures will have to close their doors, or practically close their doors.

I have representatives of those small companies down working with me. I have sent many of them home with orders, and I have others staying here to make an industry problem out of it, because

you can't do things piecemeal. You can take care of one case after another, and when you get through you have spent your whole organization doing minor things.

Senator BREWSTER. Are you going to give us the over-all totals of your small concerns?

Mr. ODLUM. Yes.

Senator BREWSTER. You will come to that.

Mr. ODLUM. I'll come to that. They also will be helped to some degree in the tank program, because to a substantial part they are in the automobile accessories field. We have also written to some of the larger rubber companies asking them to push on subcontract work that they already have, even though it's civilian work, to these smaller units so that they in turn can take on work on a national-defense basis that can't be done with a smaller unit.

We are also, in that connection, acting, what you might say, as policemen under our power to stimulate. We have called the attention of the services to some things that we have seen going on that we didn't think were conducive to spreading work.

For example, we heard about a situation where an order had been made for fenders for automobile tires—for a great quantity of them on an all-or-none basis. Well, the smaller companies couldn't bid that way, and we took that up. We weren't of any help in that particular case because the order had already been let, but we left our mark on that policy, so in the future they won't be done on an all-or-none basis. They will be split into small units.

Well, the group around Toledo is an example. There are 80 or 90 suppliers there facing distress, and they are organizing. Our representatives went down. We got the Army representatives to go down with us. We met with their group. They are surveying their plants. We are forming a pool, and we haven't the slightest doubt that as a result of that work they are going to get orders that will take care of that locality.

We are trying, all over the country, to get these people to join together to form these pools and associations to come to us, because this thing can't come down from the top. It's going to come up from the bottom, and the fellows have to do part of their own work and initiate it so that we can foster and push it along; and there are a lot of pools being formed.

I might mention in passing, also, the jeweler manufacturers of New England. They have been down working with us as an industry. They represent together the people who are here—about 75 percent of the industry, and they work in cooperation with the rest of the industry. They have about seventy or seventy-five thousand employees, and probably another hundred thousand employees in the sales end, and the other end, that are completely dependent upon them. It presents what I might call an issue—an important issue, because it is perfectly evident, after the studies that have been made by ourselves, by themselves, and by the armed services, that they cannot be converted to defense production except to a minor degree. Probably in the course of months, with intensive work, we can take care of about 20 percent of their productive capacity. Well, what is going to happen to the balance? Are they going to die, or are they going to be allowed to carry on, on what might be called a hold-together basis during this emergency?

Temporarily the situation is being worked out through the cooperation of those in charge of priorities and ourselves and everybody concerned, so that they won't die, at least for the coming few months until a policy can be worked out and the problem tackled in a more comprehensive way.

We are working with the stove industry to try to solve their problem. They are short of materials. We are trying to find things that can be done. A group of bottle-washing machinery manufacturers in Georgia came up to us, and we sent them up to a naval base in New England along with our engineers, and got them an order. Then we asked them to go home and get all the similar companies in their State pooled together so we could handle it on a wide basis rather than on the semiwide basis in which it came to us.

Those things are going on every day. The most of them are still in the promotion stage, and many of them are waiting for more manpower, which is waiting on budgets and space. I don't know that it will serve any useful purpose to take care to mention any more of them. I could mention more that have been in our Washington office that we have tided over by getting special priorities for them, but they are a part of the grist of the day, and they are only a part. Our Washington office is not set up and will never be set up to handle individual cases. This thing, if it is ever going to be done, must be done on a decentralized basis. The people with individual plants should go to the nearest field office which is set up, and will be set up, to the extent it isn't now, to take care of them.

Mr. FULTON. Which must be set up so that they can do it largely themselves, rather than depending on someone coming from the Government and doing it for them.

Mr. ODLUM. All we can do is send down to those field offices just as far in advance of the order as we can the break-down of those things that we think small plants can do and make those field offices know what is there to be done and know as best they can what is in their area that could make those things.

After all, everything is a detail in my work except one—getting the orders that the Army and the Navy issue together with the small plants in the United States that are capable of meeting the orders, so we can keep them at work and save new plants from being built.

Senator BALL. Have all your field offices been set up?

Mr. ODLUM. No. Between 150 and 200 field offices will be set up.

Senator BREWSTER. Your work is, right now, on these trial orders, if we may so term them. It is simply to satisfy yourself what is possible to do. You will then expect field offices to carry on the practices that you outline.

Mr. ODLUM. Yes; they have to follow up. Our office in Washington must be devoted to working with the procurement agencies in getting the things that are coming up and breaking them down into their bits and pieces, overseeing that, and getting it out to the subcontractors. That is the purpose of the Washington organization; the rest of it must be done in the field.

Now, there is no score card that can be used for the work of our Contract Division. The results are going to spring up all over the United States, and they are going to spring up not directly attributable, by any way that you can find out, to the work of our

office. They will spring up through the Army and the Navy and the Maritime Commission through these big subcontractors who are increasing the degrees of subcontracting going on and out around the areas.

It is true that we did get in reports from our field offices as to the things that they have done during the last month, but I dislike to mention those things almost, because they tend to minimize the real job that we are doing.

Mr. FULTON. In other words, you think while it is a useful thing to try to find distressed communities and then go to try to find an individual answer to an individual case, that that is no basic answer to your primary problem. The only way you can do that is to find out what the Army is going to need and be in at the very beginning and see to it that the contracts as they are being negotiated cover as broad a field of industry as they possibly can.

Mr. ODLUM. That is correct, sir.

Mr. FULTON. And have you found that that was being done when you got into your present position, because the committee was under the impression it wasn't?

Mr. ODLUM. It was, to the extent that it was being done. The organization that was there when I came in had 39 offices. Those offices were getting such information as was available on orders that were coming up in the immediate future almost, orders that had been placed. I should say it was almost limited to orders that had been placed.

Mr. FULTON. Did you find that they were checking with the Army and Navy and that they knew before contracts were being discussed that there would be large contracts for this, that, and the other procurement item which they, then, in turn, checked to find whether they could use small business?

Mr. ODLUM. There wasn't much of that being done, for many reasons. In the first place, it was almost impossible to get that advance information from the Army. We are working on that now, and I will cover it a little later in my testimony. But it was an information service. There was one of the field offices that was sending out a bulletin to the various manufacturers in its district, but in most offices it was a matter of a man coming up and packing in around a bulletin board, and if he had good eyes he might be able to read the top print and see some specifications.

The third day I was in office I undertook to go into our New York office to meet the heads and to find out what their problems were on space and organization, and I couldn't get up to the entrance to the office without pushing through a milling crowd of people. I had a couple of people come to see me while I was there, and they never got to see me. They got pushed around in the crowd in the hallway.

There was one of our biggest offices. That was the New York office, not located in the manufacturing district but located in the Wall Street area, at the Federal Reserve bank, and yet here were small manufacturers overpacking and overflowing an organization of about 40 men that we had there. It was just underequipped from every standpoint. We have asked the New York office to open offices uptown. I think they are going into the Grand Central Palace. They are going to expand their force, and we are asking them all over the country to take care of the people that come and not force them to go out of the way. We

will have branch offices in Brooklyn and the Bronx and upper New York, but the main operating office will be uptown New York rather than downtown New York.

Senator BREWSTER. Mr. Odlum, did you check the volume of contracts on which your predecessor's office was consulted in the last few months?

Mr. ODLUM. Yes.

Senator BREWSTER. Is it substantially correct that since last May when we had him here it increased from about 17,000,000 up to something over 70,000,000 a month?

Mr. ODLUM. The figures that you are referring to are figures that are reported to the Washington office from the field offices as to business that has been brought together by those offices direct, and then the party in question has specifically later reported as to the results. Reports that have come back to our field offices, in the last 30 days, indicate the placement of over \$170,000,000 worth of business.

Senator BREWSTER. I think that is very reassuring, and also in justice to your predecessors, they were building up as rapidly as possible.

Mr. ODLUM. They were building up. I forget the exact figures, but the figure for the month just before I took office was \$97,000,000. The figure for September was \$138,000,000, and the figure for the 30 days ending October 15 is approximately \$170,000,000.

Senator BREWSTER. Very good.

Mr. ODLUM. So you see we are moving up all the time. Now that is small in relation to the problem as a whole, but at the same time it isn't hay.

Senator BREWSTER. The figure you should compare that with is the amount of orders placed.

Mr. ODLUM. Yes; the amount of orders from month to month varies and it is hard to get a comparison.

PROPOSED EXPANSION OF DIVISION OF CONTRACT DISTRIBUTION

Senator MEAD. You talked about setting up an office in Brooklyn and the Bronx as well as Manhattan and other places in and around New York. You also mentioned your difficulties in getting through the crowds at this New York office, which called to mind that you mentioned prior to that the great difficulty you had in answering telephone calls. That brings to mind the fact that you were right when you said that there are a lot of details involved in this program and they ought to be worked out, attended to in the field. Now if they are going to be attended to in the field, that will require the hasty formation of a field organization. How long will it take to whip this Nation-wide organization of yours into shape?

Mr. ODLUM. I have had 4 men working constantly on that ever since I came to Washington. Those 4 men, working, I would say, a minimum of 15 hours a day on the average, have succeeded in opening 15 offices. Those offices in some cases barely justify the name of opening because the location has been selected, a man has been sent in with a few people around him as a nucleus to get an organization together. I would say it is going to take another 60 to 90 days before

I can consider that I am on top of this job. We will be wallowing through and working and working to get things organized, and in from 60 to 90 days, with the best efforts, everything short of a miracle, I believe that I will feel then that we have got something that is digging in properly. It is going to dig in, but not as it should, in the meantime.

Senator MEAD. Do you mean you will have the organization set up in 60 to 90 days?

Mr. ODLUM. I believe that within 90 days I will have practically the entire organization that will be called for by my budget.

Senator MEAD. Set up throughout the United States?

Mr. ODLUM. Set up throughout the United States.

Senator MEAD. Are you attending to the details of that organization or supervising the organization in connection with these four men, or are you delegating it to somebody who is an organizer of offices?

Mr. ODLUM. I am delegating it to somebody. I couldn't possibly follow it myself and do anything else.

Senator MEAD. I would think so, because of the problem being so important other than that.

Mr. ODLUM. I have an organization chart which I will be glad to show you here, both for the field offices and the Washington office.

The CHAIRMAN. We would like to have that made a part of the record.

(The charts referred to were marked "Exhibits No. 124 and 125" and are included in the appendix on p. 2729 and facing p. 2730.)

Senator MEAD. The reason for many of these calls is due to the fact that this emergency began back in May 1940, and it wasn't dealt with properly and the men in charge of the defense program were either not interested in small business or little business, or they didn't have the power to take care of such business; and we hope now with the proper organization and the proper power that we will have men in charge of this Division who will really be sympathetic with small business and independent business.

Mr. ODLUM. That is the first requirement.

Senator MEAD. Independent business was depending upon the former employees or the loaned employees of big business to take care of them.

Mr. ODLUM. I have stated to the people who are helping me search for top personnel that the fundamental requirement in each case is a man whose heart and soul is in taking care of small business. I said, "Don't equate that into the problem at all. That is a fundamental. Then," I said, "begin equating the other characteristics of the man, his executive ability, his planning ability, his forcefulness, his ingeniousness, his knowledge of plant facilities, and all those things; but," I said, "the rest is all subordinate to that one thing."

Senator MEAD. If he is not sympathetic, of course he would be useless in your service.

Mr. ODLUM. That is correct.

Senator BREWSTER. After this 90 days when you get your organization you will need another 90 days, really, to get real results, won't you?

Mr. ODLUM. I would say that no balance sheet can properly be struck as to the work of my Division under 6 months. I will be very happy to take the consequences of either success or failure at the end of 6 months, and that success or failure won't depend on any precise score card such as this \$170,000,000 that I mentioned for the last 30 days; it will depend upon how many of the plants of the United States are still in existence that wouldn't have been in existence if this work hadn't been done.

The CHAIRMAN. That is the answer. That is the whole answer.

Senator BREWSTER. Will you agree, Mr. Odlum, that in the next 6 months you will not pull any punches if you do not find the cooperation you require from other agencies in the Government?

Mr. ODLUM. I certainly will agree to that, but I would like to say this, also, that it is perfectly evident from the Executive order, as well as my idea as to how things can be accomplished, that in most cases you can get more through cooperation, with the mailed fist behind you; you can get more with sugar than you can with vinegar; and I am trying to get everything with help, with assistance, with people wanting to do this thing and showing them how it might be done. But if I find that that fails, then I am quite prepared to call a spade a spade and to go after it where it can be gone after, because this thing has got to come down from the Army and Navy and it has got to come up from the bottom, from the small plants. The results will be: How many orders of the Army and the Navy are spread to how many more thousands of plants than they are using now.

I might say on that point, I don't know how many patients I have, I don't know where they are, I don't know their names, what their symptoms are. I can't go out and see these patients individually so I have got to organize, I have to get any facilities and my assisting doctors and visiting nurses and all those things going. The best that I can find out about my number of patients or clients, or whatever they may be called, is that the United States Census for 1939 gives 184,000 manufacturing enterprises in the United States. The United States Census under the law of the United States is not open to me. I tried originally to go and get the data that I needed, and I found that it wasn't available, so I began drafting a bill to have introduced in Congress so that the data could be made accessible.¹

The CHAIRMAN. You mean one of the principal Government departments that could be most useful to you at this time has its doors closed and you can't get the information you want?

Mr. ODLUM. That is correct, sir.

The CHAIRMAN. Let's remedy that immediately.

Mr. ODLUM. I might say I found there was already a bill in Congress and it has been lodging in committee for several weeks.

The CHAIRMAN. What committee is that?

Mr. ODLUM. I don't know; I can't tell you offhand. But it should be adopted.

The CHAIRMAN. Get that information in the record of this committee and we will see if we can't get it out of committee.

¹ H. R. 213 and S. 1627, 77th Cong., 1st sess

Mr. ODLUM. It is ridiculous to have to go out and find 184,000 people that may die before I can get to them when I can go to somebody here where it is available. I want to say this on behalf of the Census Bureau: They have agreed with me that within the limitations of the law they will dig up for me any broad statements and analyses that they can, and they have been digging them up, and I have in the last 48 hours gotten some figures that I think throw a great deal of light on my problem, which I want to come to a little later in the discussion.

While we have been going along with these day-to-day things and this planning, there are various facilities that can be used to try to get this business spread out. One of the facilities that can be used is the so-called clinic. A clinic is in effect an organized meeting place for 3 or 4 days, depending upon the size of the community, where under supervision of the Contract Distribution Division with the cooperation of the armed services, and with the help and cooperation of all the State and local agencies, we get the prime contractors together who have got orders, and the little fellow who wants to get business, and they sit across the table and they talk out their problems.

Since I took office we have held clinics in 7 cities, at which we have had over 300 prime contractors and over 10,000 prospective subcontractors present. I might say that in New York where we had the major clinic which was used for educational purposes for ourselves, we had prime contractors from 18 States, and about 4,000 subcontractors from 37 States. We had 26 Army and Navy agencies cooperating with us as well as the 8 local agencies in the State and the British Purchasing Commission. We had reports at the end of that clinic that over 3,000 conversations having real potentialities of leading to contracts had been entered into, and that over 1,500 had actually reached the negotiation stage.

Now we are developing this question of clinics. We have started plans; we have our organization now and we are opening a clinic tomorrow in Chicago. We are opening a clinic in Kansas City on November 6; that is followed by a clinic in Dallas, Tex., and then we go to Los Angeles for a clinic around the 15th or 16th of December, followed by a clinic just before Christmas in San Francisco, and then they go to the Northwest. They take exhibits along. The same organization follows through on it so it has to move from point to point.

In addition to that, we have developed the matter of permanent exhibits. We are going to open up almost immediately, within the next 30 days, about 15 permanent exhibits in main industrial centers of the United States, and in all we hope to have about 50 permanent clinics going where the pieces and bits will constantly change but where there will be one place where the people can come and see those things and talk to somebody about them.

Senator MEAD. In that connection, Mr. Odlum, are you having cooperation from any State departments of industry and local manufacturers' groups?

Mr. ODLUM. Oh, yes. When we think we are going to have a clinic in a certain community, we send an advance man out. He goes right

to the State agencies and the local agencies, the chamber of commerce and manufacturers' association, the Governor, the State council of national defense, and gets them to work for us.

Senator MEAD. New York State has set up a State department of commerce just recently and they have held a series of clinics throughout the State on their own.

Mr. ODLUM. That is true; they fostered this idea originally.

Senator MEAD. I was wondering if the other States were doing the same thing.

Mr. ODLUM. Not so much. It started in New York, and we have taken it up and are developing it on a country-wide basis. It is better that it be done under our auspices than under the auspices of the State and local agencies, because you don't want to have too many clinics in a State or community.

QUESTION OF EXTENDING GOVERNMENT CREDIT TO SMALL BUSINESS

Senator MEAD. You talked about a bill that was pending in Congress, and that was interesting to me. Of course, I don't want your agency to in any way unethically become associated with a legislative program that I am fostering, but for the last 4 or 5 years I have been sponsoring legislation that would grant credit facilities to small and independent businesses, first of all through the R. F. C., and then, not having their support, through the Federal Reserve Board. The Federal Reserve Board has endorsed this program of legislation, which adds to the credit facilities available for small business. It sets up a system within the Federal Reserve System whereby insured loans to small business can be acceptable in the Federal Reserve banks throughout the country. It is my understanding that the Army has endorsed that legislative program. I am under the impression the Navy is considering it, and perhaps your agency, if it finally, in your estimation, was a need at the present time, could take it under advisement, and you could use your own judgment.

Mr. ODLUM. Section (g) of the Executive order creating the Division of Contract Distribution reads as follows, among the powers and authorities:

Facilitate through the regular commercial banking channels, the Reconstruction Finance Corporation, and the Federal Reserve banks and their branches the necessary financing facilities for prime contractors, subcontractors, and local industrial defense production associations, and recommend from time to time to the Director General and Associate Director General such additional financial procedures or machinery as shall be required to insure maximum utilization of existing plant and tool facilities for defense purposes.

Therefore, that is right down my alley. It is one of the things that I am supposed to take up and study. In fact, as soon as I got on the job I delegated two people to sit down and study this financial end of the thing. It wasn't as pressing and as urgent as some of the others, but I nevertheless said, "Make this a special job." They have prepared a preliminary report which was placed on my desk on Friday night of last week, and which, through the press of other urgent work, I haven't had an opportunity to read. I know they have been covering these various cases that you have in mind, so that I will be prepared to make recommendations as to what should be done to take

care of this vast number of small plants that are in extremities because they can't get the materials, and those plants that can be converted to defense effort but haven't the financial means to do it.

Senator MEAD. For your information, the Federal Reserve now has the power to make certain loans to small business for working-capital purposes only. They, themselves, the Board, are asking that that authority, through the legislation that I have introduced, be enlarged so that they may make loans to, we will say, small business for a 5-year period. If that were done, it occurs to me, this additional power would immediately aid sick industries generally throughout the United States. You would be attacking it in general rather than in its specific, acute cases.

Mr. ODLUM. Yes; before we formulate any recommendation to the Director General and Associate Director General of the O. P. M., I would like to have the opportunity of sitting down with you, because you have made a great study of that problem, to get whatever we have dovetailed into your ideas. I may say this just as an indication of how busy we have been with the most urgent of the many urgent problems, that the R. F. C., of course, is a very important unit in this question of financing the small business where it can't be done under the existing laws by commercial banks or the Federal Reserve System, and as yet I have not had time to even go to talk this subject, or even pay a call on Jesse Jones.

Senator MEAD. It occurs to me when you and your agency approves the plan that the R. F. C. should have authority to make loans to small industries for conversion purposes. For instance, if you go into a washing-machine company and you have in mind a defense contract which you will recommend for that company, and that company requires new tooling, new machinery, upon your recommendation the R. F. C. ought to be authorized under existing law to make what might be called a conversion loan to that industry.

Mr. ODLUM. I haven't been able to receive the report on what the authorities and powers are today, but I have been told by people in my own organization that the R. F. C. already has that power.

Senator MEAD. Only when a defense contract is granted to a firm not already enjoying a defense contract, but I doubt very much whether they will go so far as to give him a loan for the conversion of a plant from one activity to another activity.

Mr. ODLUM. I wasn't touching on whether they would go that far but whether they had the power to go that far.

Senator MEAD. They should have it. In other words, I know of several instances where they just couldn't reach the patient. It was a boundary case, and I believe that the veil ought to be lifted so they could go into any case that your agency recommends as a good case.

Mr. ODLUM. Definitely, if they don't have that power, or won't exercise the power, there must be some vehicle to reach that case, that kind of patient. It has just got to be done. How it is going to be done is a matter of study.

Senator MEAD. But the immediate attacking of the problem from here, at the very source, in the diffusion of contracts, in recalling contracts where work hasn't been done, so they can be rewritten, in

breaking down these big million-dollar contracts so the little fellow can nibble on them—that, in my judgment, will relieve the sickness all over the United States, and that is why I brought up the credit suggestion which, I think, will relieve it, too.

Mr. ODLUM. I might say that every month our organization is helping on that kind of thing, but it is infinitesimal compared with what must be done. We have arranged numerous loans with the Federal Reserve and the R. F. C. during the last month. Before I leave entirely this subject of field offices, just to show you the mass of things that are going on, even now in these field offices during the month of September alone we helped out in over 14,000 priority cases for small manufacturers. We had over 25,000 instances of personal assistance and interviews with small manufacturers. We assisted several thousand in actually entering into several thousand sub-contracts, so that such staff as we have is just working overtime and we are just going to add to it as soon as the budget lets us.

The CHAIRMAN. There is one question I want to ask you there. You say there are 180,000, approximately, of these small businesses. If with your 3,000 employees you found that 180,000 needed help, it would be a tragedy. How would you handle them? What are you going to do with the one-hundred-and-thirty-thousand-odd plants that employ 20 people and under?

Mr. ODLUM. Senator, may I come to that a little later? That is the big problem and I would like to cover it a little later in a little more comprehensive way.

I was discussing the subject of clinics and exhibits. In addition to the permanent exhibit places, we are also arranging for traveling clinics. We are getting squads of big automobiles. We tried it out in Ohio and it worked very successfully. We have projected over 300 major clinics and over 400 minor clinics for the next 12 months through this traveling.

On top of all that, we have arranged to do something which we think is going to be extremely effective as a background for all of our numerous clinics and exhibits to come, and that is, early in November, on or about November 10, we are sending out from Washington three special defense trains, three 8-car trains, one to start south, one to start through the middle of the country and one to go north.¹ Those trains will be manned by top representatives of the armed services of the United States. There will be a car which we will use. I have a map here of the routes that they will follow. They will be loaded with exhibits of the kind that we think small manufacturers in the territory that they cover will be generally equipped to make. They will not go out with orders in their pocket; they are simply going out to show the manufacturer what he might be able to do for himself.

Here is a picture of the car that Raymond Loewy, industrial designer, designed for us. There were priorities on the paint so we couldn't get it done just that way, so this is the way the train is going to look.

The CHAIRMAN. What is the chance of getting the Senate Committee on the green trip you have mapped out? [Laughter.]

Mr. ODLUM. I'll tell you, we have had to check it. We have so many public agencies trying to get on these trains that we wondered if we

¹ For itinerary of these special defense trains see Exhibit No. 138, entered in record on October 27, 1941, appendix, p. 2802.

could get another car, and we were told we could get another car but it wouldn't be painted, because we are working night and day to get this thing ready as a defense presentation.

The CHAIRMAN. I was just being facetious. Go ahead.

Mr. ODLUM. We are going to have the Ordnance Corps, the Corps of Engineers, the Signal Corps, the Medical Corps, the Chemical Warfare Service, the Navy, the Air Corps, the Quartermaster Corps, the Maritime Commission, and the O. P. M., all on that train. There are going to be about 30 people carried around, and they are going to have 96 traveling clinics. They will get back about the 18th or 19th of December, and if it is very successful, then we hope about 6 months later to duplicate it again. But this is one of our major preliminary efforts to carry the idea of spreading business to the country at large.

Moving from these specific things that I have mentioned, either in day-to-day routine or in facilities such as clinics and trains and exhibits, up the line a little bit to the intermediate major work, I want to say something about what we have been doing in regard to the so-called 56 companies.

The CHAIRMAN. That is what we are interested in.

ATTEMPT OF DIVISION OF CONTRACT DISTRIBUTION TO "SPREAD" WORK

Mr. ODLUM. We went over those 56 companies right early in the game. We told them that as a part of this spread-work policy we wanted every one of the 56 companies to adopt it as a national policy. We wanted them not only to adopt it, we wanted them to organize within their own ranks to spread this work so that when they had orders they would automatically carry them down through the field just as far as possible. We asked them to perfect their organization for the purpose under the jurisdiction of a top executive who would act in liaison with us, just as the Army and Navy and Maritime Commission have formed contract divisions to cooperate in liaison with us.

We have received very good response from these 56 prime contractors who, as everybody knows, had the big bulk of the defense orders to date. They have, for the most part, declared openly their adherence to this policy. They have organized, to the extent that they hadn't already organized, on a more intensive basis for subcontracting, not only so that they can go out and find their own subcontractors to a greater degree than they ever had before but also so that when they have business that they can let, and they haven't, themselves, a subcontractor in mind, they will come to us with that business and we can go out and find someone.

The CHAIRMAN. What effort is being made to protect the interests of the subcontractor? They are all so hungry, and the prime contractor is in a position to hold their feet to the fire and skin them alive unless something is done, unless they are assured they can continue to operate. Most of these big fellows are operating under guaranteed profits, and they are giving out the subcontracts on such a basis that the little fellow is worse off than if he hadn't taken the contract. Is any effort being made to protect him from that?

Mr. ODLUM. Several efforts are being made. We have asked the big contractor not to do two or three things: not to pass on unprofitable business.

The CHAIRMAN. Unless you do that, the whole thing is wasted.

Mr. ODLUM. We have asked them not to pass on their difficult business; to keep it for themselves—they have the machinery to do it—and to pass on their simpler business, because if you elog up important machinery with the simpler work, you will have to build more machinery to take care of the difficult work.

We have asked them to act as mother hens to these subcontractors. There is no sense of giving a man an experimental or educational order on something he never made before and let him wallow around breaking himself trying to make it. You have to help him. He has to be treated as a part of that big organization. They have got to supervise it. They have got to accept mistakes and corrections. We know, as England found out, that for a period of time it doesn't speed up, it slows up, because if a prime contractor has got his general assembly line and he has put out a lot of subcontracts or parts, if one of those parts manufacturers falls down on the job, that slows up the whole assembly line. So they found out in England that they had some slow-down as a consequence, and it could be obviated by intense supervision, it could be obviated by overordering parts so you had some spare parts on hand that would be used in due time, but you didn't have any assembly line slowed up.

Senator MEAD. Of course, we are losing plenty of time here because we have permitted the larger manufacturer or industrialist to expand his plant so that he could do every bit of the work under his own roof, and in doing that we overemphasized the construction program. We find that our production program is disappointing, and we also find the big industrialist is stopped because he hasn't got material. Too much material has gone into construction and too little material has gone into production. As an example of what I am trying to explain, the Todd shipyard at Los Angeles had 12 or 14 ways on which they had 6 or 7 ships under construction. The entire plant was held up because they didn't have iron and steel, and yet they had an order from the Maritime Commission to build 6 more additional ways, and they said to us, "It is stupid for us to build additional ways, using up the materials that are all too short, when we can't even finish a ship on a way in which the ship is under construction."

I believe we have overemphasized the construction program and we have permitted all these big industrialists with these large contracts to secure preferential priorities in order that they might complete a model plan which would be theirs after the war is over, a plant in which they can do every detail of the work, whereas if they spread the work that would use the other fellow's roof, they would use the other fellow's lathe and drill press, and there wouldn't be so much material going into the construction program and there would be a whole lot of material going into the useful defense-production program.

Mr. ODLUM. In terms of 1941 production, there can be no doubt you are right. If this program of conversion can be worked systematically and effectively in terms of 1942 and 1943 production, there will be a net gain. It all depends upon whether we can get these plants that have been in civilian life at work so that they can support those major units with their subcontracting parts so that the whole will have been stepped up to a bigger base, you see.

The CHAIRMAN. Mr. Odlum, the Senate has a very important political question to decide this afternoon. That was the quorum call, and I am wondering if it would be possible for you to finish your testimony, say, at 11 o'clock on Thursday.

Mr. ODLUM. I am due in Chicago to open a clinic and to make two speeches on Thursday.

The CHAIRMAN. Would Friday morning be all right at 10:30?

Mr. ODLUM. Could I make it Monday morning? I have a late appointment in Chicago on Thursday and I am afraid I couldn't be back.

The CHAIRMAN. Monday morning will be entirely satisfactory with us. We will set it for Monday morning at 10:30, and then I am particularly anxious to find out the answer to the 184,000.

The committee will recess until 10:30 tomorrow, when Mr. Hillman will be the witness, and Mr. Odlum will continue on Monday at 10:30.

(Whereupon, at 12 o'clock noon, the committee adjourned until 10:30 a. m. Wednesday, October 22, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, OCTOBER 22, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Tuesday, October 21, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), Mon C. Wallgren, Carl Hatch, Ralph O. Brewster, Joseph H. Ball.

Also present: Hugh A. Fulton, chief counsel.

The CHAIRMAN. The committee will come to order.

The board of review will be placed on the witness stand first. Mr. Gray, Mr. Mitchell, and Mr. Brown, if you will come forward and be sworn, please. Will you gentlemen stand and be sworn, please?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GRAY. I do.

Mr. MITCHELL. I do.

Mr. BROWN. I do.

The CHAIRMAN. Will you gentlemen give your names and connections to the reporter for the record, please?

**TESTIMONY OF J. DOUGLAS BROWN, CHIEF, PRIORITIES BRANCH,
LABOR DIVISION, OFFICE OF PRODUCTION MANAGEMENT;
RICHARD J. GRAY, ACTING PRESIDENT, BUILDING TRADES DE-
PARTMENT, AMERICAN FEDERATION OF LABOR; JAMES P.
MITCHELL, CHIEF, LABOR SECTION, CONSTRUCTION DIVISION,
QUARTERMASTER CORPS, UNITED STATES ARMY**

CURRIER LUMBER CO.—CONSTRUCTION EXPERIENCE

Mr. BROWN. My name is J. Douglas Brown. I am professor of economics and director of the industrial relations section, Princeton University. I am at present Chief, Priorities Branch, Labor Division.

The CHAIRMAN. Are you chairman of the board?

Mr. BROWN. I have been chairman of the board until recently.

The CHAIRMAN. Who is the chairman of it?

Mr. BROWN. Mr. Comstock has been chairman for, I should say, roughly, a week now.

The CHAIRMAN. Mr. Gray?

Mr. GRAY. Richard J. Gray, acting president of the building and construction trades department of the American Federation of Labor, and a member of the board of review under the stabilization agreement.

Mr. MITCHELL. James P. Mitchell, Chief of the Labor Section of the Construction Division of the Quartermaster General's office and a member of the board of review under the stabilization agreement.

The CHAIRMAN. Mr. Fulton, will you proceed with the examination?

Mr. FULTON. Will you tell me what the functions of the Board of Review are, Mr. Brown?

Mr. BROWN. The board of review was set up under the stabilization agreement between the five governmental construction agencies; that is, the Army, Navy Defense Plants Corporation, Federal Works Agency, and Maritime Commission, and the Building Trades Department of the American Federation of Labor. The board of review was set up to act in the case of interpretations or disputes under the agreement.

Mr. FULTON. That is paragraph 8 of the agreement?

Mr. BROWN. That is right.

Mr. FULTON. Which specifically says that "It shall be the function of this board to interpret the provisions of this agreement, to adjust disputes arising hereunder, and the findings of the board shall be binding on the parties to the agreement."

That same provision, however, goes ahead to provide that the Board shall have no authority to encroach upon or to relieve any governmental agency of its legal authorities and/or responsibility.

Mr. BROWN. That is correct.

Mr. FULTON. Has the board construed that as meaning that it has no function of any kind outside this stabilization agreement?

Mr. BROWN. The board was set up under the stabilization agreement, and its functions were to act under the stabilization agreement.

Mr. FULTON. Are you familiar with the so-called Currier lumber case situation, involving the Wayne, Mich., housing project?

Mr. BROWN. Yes.

Mr. FULTON. Did that come before the board of review as a situation arising under the stabilization agreement in requiring an interpretation of the stabilization agreement?

Mr. BROWN. I might explain it this way, that the situation as to the Currier bid first came to the board's attention when two gentlemen came before us from Detroit; after informal discussion the board decided it did not have jurisdiction, but it felt, however, that it should bring the facts learned to the attention of Mr. Carmody on an informal basis.

Mr. FULTON. In other words, then, the board concluded that the situation was not one requiring an interpretation or a construction of the stabilization agreement.

Mr. BROWN. That it had no jurisdiction.

Mr. FULTON. And that the board had, therefore, no power under this section 8, which was the only section under which it was authorized to act.

Mr. BROWN. But as persons interested in the advancement of the defense program that we had an obligation to pass on to another gov-

ernmental officer the facts coming to our attention which concerned his area of responsibility.

Mr. FULTON. In examining this stabilization agreement of August 5, 1941, I find no reference in there either to the use of A. F. of L. or C. I. O. labor.

Mr. BROWN. That is right.

Mr. FULTON. Is there any side agreement or separate agreement, oral or written?

Mr. BROWN. None whatsoever.

Mr. FULTON. So that this agreement as published constitutes the entire stabilization agreement?

Mr. BROWN. Exactly.

Mr. FULTON. Unaffected by even representations of any kind?

Mr. BROWN. Yes.

Mr. FULTON. Now, how did the Currier case first come to the attention of the board of review—from whom?

Mr. BROWN. When these gentlemen, Mr. Ed Thal and Mr. William Roe, came to the board and asked that they be permitted to discuss this Currier bid, we informally let them discuss it with us.

Mr. FULTON. And who were those two gentlemen?

Mr. BROWN. Mr. Ed Thal, secretary of the Building and Construction Trades Council, Detroit, and Mr. William Roe, a member of the Teamsters' District Council, Detroit.

Mr. FULTON. And when did they come before the board?

Mr. BROWN. That was September 22.

Mr. FULTON. And does the board have a transcript of the proceedings that took place before it?

Mr. BROWN. We have only a summary of our discussions, because the board in this case was quite informal and did not keep a transcript of record in the ordinary court sense.

Mr. FULTON. And do you have a copy of that summary?

Mr. BROWN. There is one here. I don't have it right before me. I can give it to you later.

Mr. FULTON. Is it the one you showed me the other day?

Mr. BROWN. That is right.

Mr. FULTON. That summary merely says that the board was given the background of the Currier case, I believe.

Mr. BROWN. That is right.

Mr. FULTON. Does it say anything else about what this subject was?

Mr. BROWN. It gives the background of the case, which included the general picture in the Detroit situation; that is, that there had been, during the previous spring, a very serious industrial-relations situation; that in the case of the Currier bid the Currier Co. had very recently employed C. I. O. labor, presumably in agreement with C. I. O.; that the Currier Co. had up until then been primarily or predominantly, almost entirely, a building-materials concern; that this was a venture into the building-construction industry; that it was not a recognized building-construction firm.

Mr. FULTON. Was anything else said?

Mr. BROWN. As far as I remember, the general burden of the discussion included those, the background, of course—there were various details of background, such as that a man had been killed in the course of the industrial-relations disturbances in May, and that it had been

a very serious situation in the city of Detroit, involving defense construction and other forms of construction. But we felt that there was certainly evidence sufficient to warrant considering the matter, sufficient to advise Mr. Carmody.

Mr. FULTON. Now, as to the details that you were told, can you remember what you were told about this serious industrial situation?

Mr. BROWN. Quite frankly, I cannot distinguish what I was told by these gentlemen over against the other information available to us; but, of course, naturally, we sought, or had in our own minds, various sources of information concerning the Detroit situation. There had been a good deal of public attention given to the Detroit situation in May and June.

Mr. FULTON. Taking what you have specifically, first, with respect to the fact that the Currier Co. was primarily a dealer in materials, what was told you about that? Were you told that it had not been a constructor of dwellings?

Mr. BROWN. The information that we had was that it was primarily a building supplier, a building-materials supplier.

Mr. FULTON. Were you told that it had not been a constructor of dwellings?

Mr. BROWN. As I remember it, there was no precise definition as to whether they had ever been in building construction previously, whether themselves or through subordinate companies.

Mr. FULTON. Did you ask Mr. Thal or Mr. Roe whether they had ever constructed housing; and if so, whether—

Mr. BROWN (interposing). I don't really remember.

Mr. FULTON. Then I take it that you did not, on the basis of the questions that you asked or the information that was furnished to you, formulate any opinion as to whether they could or could not construct houses because of their past experience.

Mr. BROWN. The basis of our going to Mr. Carmody was that we had sufficient information, since this was no formal jurisdiction, no formal decision, to bring to the attention of a responsible Government officer the facts coming to our attention, the facts which we felt were sufficiently important, since they affected the prosecution of the defense program.

Mr. FULTON. Taking this first fact first, what importance did you attach to the fact that they were supposedly primarily engaged in the business of dealing in supplies as distinct from construction?

Mr. BROWN. Well, the fact that in any plan of industrial relations, it is important, of course, to have had experience, and that in this case what we were concerned with was that the defense program should not suffer interruption, that the defense program was of such overwhelming importance that any fact which might affect the successful prosecution of the defense program should be brought to the attention of a responsible officer of the Government.

Mr. FULTON. But in that event you were considering the question of whether they had experience in construction, which I take it would be the only importance attached to whether they had been in business.

Mr. BROWN. I am quite clear to say that when one passes on information, one passes on what one obtained to the responsible officer, who can then weigh it along with whatever further information he may have obtained, whatever further investigation he may care to prosecute, that that information may be of value to him.

Mr. FULTON. That is why I asked whether you had asked Mr. Thal or Mr. Roe whether the Currier Lumber Co. had engaged in construction.

Mr. BROWN. As I said, my understanding was that this was predominantly a building supply company that had not had experience in building construction. That is the best information that I can give you.

Mr. FULTON. You definitely recall, then, that you were told that the Currier Lumber Co. had not had experience in construction?

Mr. BROWN. That it was predominantly a building supply company.

Mr. FULTON. You still misunderstand me. An outfit might do \$10,000,000 worth of business in the lumber-dealing industry, and it might do \$5,000,000 worth of business in the construction industry, and that wouldn't mean that it had no construction experience, would it, Mr. Brown?

Mr. BROWN. Let's use a different word there, to give you the sense as I see it and recall it. That building construction in the case of this company would have been incidental in importance.

Senator HATCH. All the information you got, Professor Brown, was from the two men who came to see you? You have no other information from any other source?

Mr. BROWN. Put it this way: The information concerning the Currier case came to our attention from these two men.

Senator HATCH. You made no other investigation yourself?

Mr. BROWN. No; because we did not take jurisdiction. We did not treat it as a formal case. We felt we had sufficient information to warrant, as men interested in the defense program, going to Mr. Carmody to give what facts we had heard to him. It was a question of informal discussion—the whole business.

Mr. FULTON. Then, Mr. Brown, on the question of the experience of Currier Lumber Co., you didn't ask questions of Mr. Thal or Mr. Roe directed to find out what their experience had been in construction?

Mr. BROWN. Of course, we had considerable discussion with them, but the point you raised as to the precise amount of building construction they may have done, I do not recall any specific information that would be more than what I have said; that is, that any building construction was merely incidental to the company that was carrying on overwhelmingly a building-supply business.

Mr. FULTON. So on that point, you were quite uninformed as to whether they had, in fact, engaged in construction?

Mr. BROWN. I wouldn't say that.

Mr. FULTON. Which would be equal to, or greater than, the three hundred thousand—

Mr. BROWN (interposing). I wouldn't say that. Sufficient for informal discussion with Mr. Carmody. I felt at the time that I had sufficient warrant to say that they were predominantly a building-supply company; that any building construction they may have carried on previously would have been incidental.

Mr. FULTON. And again, going to that point, you didn't know whether they had made a hundred houses or a thousand houses or one house?

Mr. BROWN. I think in these matters you come to a judgment on the best advice; you determine that this is predominantly a building-

supply company, and all I can say is that the best judgment that I had at the time is just as I have acquainted you.

MR. FULTON. But so far as the board had any information, they didn't know whether Currier had made a hundred or a thousand or one house.

MR. BROWN. You see, I keep repeating, this was not a case where we assumed jurisdiction. It was not a case where we carried on an investigation ourselves. It was a case merely that we were passing on information to another branch of the Government, so that we did not carry through either a cross-examination or an investigation on this point of evidence.

MR. FULTON. But the information which you passed on was such that you couldn't say whether it was one house or a thousand houses.

MR. BROWN. Well, quite frankly, I don't think the precise statistics were of sufficient importance in the judgment that was made.

CURRIER LUMBER CO.—LABOR RELATIONS

MR. FULTON. Now, with respect to the other two facts which I think you mentioned—namely, that it had been an open-shop organization until recently, and it had labor troubles; and the other, that it had been recently a C. I. O. organized concern—what were you told about those two facts?

MR. BROWN. Just as you have stated them, that the company had recently had an agreement, or at least an understanding, with the C. I. O., and that the situation in Detroit was overwhelmingly American Federation of Labor as to building construction and transportation, and I might say as a student of industrial relations for many years, those things have a certain importance in one's mind.

MR. FULTON. As to the situation in Detroit being overwhelmingly A. F. of L., were you told that they were A. F. of L. employees in the Currier organization?

MR. BROWN. I don't recall.

MR. FULTON. Were you told that the Currier Co. was unable to make deliveries or to perform construction without A. F. of L. help?

MR. BROWN. I don't recall. That is in the past history.

MR. FULTON. Did you ask Mr. Thal or Mr. Roe those questions?

MR. BROWN. Do you mean that in their normal business previously they had been unable to make deliveries?

MR. FULTON. In their normal, or in their abnormal, business as affected by strikes.

MR. BROWN. I recall very definitely the fact that the company had had serious difficulties, that there had been serious difficulties in the Detroit area as to building construction and the transportation of building materials.

MR. FULTON. With respect to the difficulties that the company had, were you told that any of the employees of the company were on strike at the time?

MR. BROWN. I don't recall that they were on strike at the time.

MR. FULTON. Do you recall asking?

MR. BROWN. I don't think that we asked concerning whether they were on strike at the time, because what we were concerned with was the fact that there was potential disturbance to the defense program;

because we were not assuming jurisdiction, we were not treating it as a regular case in any sense.

Mr. FULTON. And you could not under the terms of the agreement?

Mr. BROWN. That is right. We merely obtained sufficient information to pass on to a responsible officer of the Government that information.

Mr. FULTON. Well, Mr. Brown, I asked those questions for this reason: I wanted to know whether the disturbance that you were anticipating was a disturbance within the Currier organization or whether it was a disturbance that Mr. Roe and Mr. Thal said would be created by nonemployees of the Currier organization.

Mr. BROWN. The only point that we were concerned with was whether there were potential disturbances which would affect adversely the defense program.

Mr. FULTON. Would affect the ability—

Mr. BROWN (interposing). And the specific nature of those was not a concern of ours because, as I say, we were not assuming jurisdiction as to a settlement of the dispute. When we found that we had no jurisdiction, we were merely concerned that we had information warranting going over.

Mr. FULTON. You see my point related to this single question as to whether they told you, in referring to disturbance, that there was a question as to the ability of the Currier organization itself to perform the contract or whether their conversations with you related to the possible disturbance in Detroit or other areas of the defense program by reason of strikes which would have nothing to do with the Currier Co. but would have to do with other employers of labor.

Mr. BROWN. Well, in the field of industrial relations in a situation like this, it is extremely difficult to draw a fine line between a disturbance in a single company and a disturbance in an area. I think any student of industrial relations would say that in a disturbance in a strategic place such as Detroit at a time like this, there would be no assurance whatsoever that such a dispute would be narrowed to such a company.

Mr. FULTON. Did you try to draw that line, Mr. Brown?

Mr. BROWN. In a matter of judgment, in going to Mr. Carmody or anyone else, I would feel definitely an obligation as a student of industrial relations, as an expert, to give him the information and the background on a judgment such as that.

Mr. FULTON. Specifically in answer to that question, would the Board have any information before it relating to the ability of the Currier Co. itself to perform this housing project with its own labor if not interfered with?

Mr. BROWN. I keep repeating that we were not carrying on a specific investigation of this company, that any such question as to the precise number of mechanics, the precise number of mechanics of various kinds, would have taken many days or hours of field investigation, and so on.

Mr. FULTON. And that would be a matter for Mr. Carmody's office to determine.

Mr. BROWN. Certainly.

Mr. FULTON. On the basis of that, if they determine that the Currier organization, by reason of prior construction experience, by reason

of the information that Colonel Westbrook's office has discovered by examining his mill and his list of employees, and so on, could perform that contract, you haven't any information of any kind that would lead you to take an opposite position?

Mr. BROWN. What I would say is that when we gave this information to Mr. Carmody, the natural thing for him to do was to carry on investigations or whatsoever was necessary.

Mr. FULTON. But you had no information of yourself, on your part, so you could give it to him?

Mr. BROWN. Could I put it this way, that we had as much information as came to us, as I have explained it, to warrant going to him and explaining the situation as we saw it, but may I say this, that any of us who have 10, 20, or 30 years of experience in the field of industrial relations, when we discuss a matter informally with a Government officer, naturally we have background.

Mr. FULTON. You have judgment, background, but as I take it, you had no information on this case on which to exercise your background.

Mr. BROWN. I think we did.

Mr. FULTON. Now, specifically, did you ask the question as to whether Mr. Roe and Mr. Thal were stating that Mr. Currier didn't have an organization which could perform that contract if not interfered with?

Mr. BROWN. Quite frankly, specifically I could not tell you that there was definite evidence, spelled out, so many carpenters, so many plasterers, so many other mechanics that would make a detailed specification that you could or could not fulfill a contract.

Mr. FULTON. And you also could not say that you asked whether this labor disturbance was to be a disturbance in which Currier's employees refused to work, or a disturbance by people not in any way connected with his organization.

Mr. BROWN. Well, may I say this: That any such statistics are unreal in a situation of this sort, because an industrial-relations problem is not a problem of statistics. It's a problem of the interplay of people—hundreds of people, thousands of people, and any responsible officer of government must so treat it, especially in the time when the defense program is the outstanding problem facing the Government.

Mr. FULTON. Well, then, just one more specific question. Did either Mr. Thal or Mr. Roe tell you that strikes would be called in the Detroit area by the A. F. of L. relating to employers other than Mr. Currier, in projects other than the Wayne housing project?

Mr. BROWN. Not as far as I remember.

Mr. FULTON. Did they say anything that gave you that impression?

Mr. BROWN. The only impression I have was a judgment on my own part that a situation of this sort warranted careful consideration on account of the possibilities of disturbance to the defense program.

Mr. FULTON. And then, I take it, you and Mr. Mitchell and Mr. Gray went to Mr. Carmody's office.

Mr. BROWN. That is right.

Mr. FULTON. Now, before going to Mr. Carmody's office, did you have a discussion with Mr. Westbrook?

Mr. BROWN. Mr. Westbrook was asked to come over on the next day; that was the 23d. Then, on the 24th, Mr. Gray and Mr. Mitchell and I went over to Mr. Carmody's office.

Mr. FULTON. And did you tell Mr. Westbrook that he should take any particular action, and if so, what did you tell him?

Mr. BROWN. Well, Mr. Westbrook told us, as I remember it, that there would be no action on the case until we had a chance to discuss the matter with Mr. Carmody, which was a matter of courtesy to us, since we had certain information that we were passing on to him.

Mr. FULTON. And had you previously asked Mr. Westbrook not to take action?

Mr. BROWN. We felt that we should at least have the chance to talk with Mr. Carmody.

Senator HATCH. Did you ask Mr. Westbrook to take action?

Mr. BROWN. Until we went over to see Mr. Carmody; yes.

Mr. FULTON. And on the basis of what jurisdiction were you acting?

Mr. BROWN. As a responsible officer of Government asking another member of Government to consider the courtesy that we should come over and discuss with him certain matters coming to our attention before it was of no purpose.

Mr. FULTON. Well, now, what responsible officers of government did you meet, other than members of the board of review, which, I understand had no jurisdiction at all in the matter?

Mr. BROWN. Well, in my case, I am with the Labor Division. I am a student of industrial relations and a consultant.

Mr. FULTON. So, you were not going over as a member of the board of review.

Mr. BROWN. No; in this case, the three of us went, as you might say, members of the board of review, not in any formal sense, but as three individuals primarily interested in stabilization of defense production.

Senator BREWSTER. Doesn't it have the aspect that although you stated you had no jurisdiction under this contract, that you were undertaking to exercise your position to prejudice other situations. You say it was none of your business under this contract, and yet you three took action gratuitously.

Mr. BROWN. Well, I wouldn't call it gratuitous.

Senator BREWSTER. Can you say—

Mr. BROWN (interposing). I feel it's my responsibility in the defense program; the reason I am here in Washington is to assist in the defense program, and if I can assist through my knowledge or information another branch of Government, as I do repeatedly, I go to that person.

Senator BREWSTER. Well, the prestige which you possessed in this instance was the result of your board. You three who were to act on the contract for the Federation realized that difficulty would result. Going in that guise and with that garment, you naturally carried great weight. I think if you had been simply a member of the Labor Relations Board, you would have been in quite a different position.

Mr. BROWN. I think it was quite evident how we were coming there.

Senator BREWSTER. Yes; did you explain carefully to them that you considered that you had no jurisdiction as a board in this matter; that you had no rights under the contract, but you did feel that friends of yours would be prejudiced?

Mr. BROWN. Exactly; we explained that we had no jurisdiction as a board in the matter.

Mr. FULTON. And before going to see Mr. Carmody, had you talked with Mr. Currier or any one representing his organization?

Mr. BROWN. It was not a decision; therefore, it was not a case where you heard parties, and so on.

Mr. FULTON. You had two representatives of the A. F. of L. of Detroit. Did you hear any representative of the C. I. O.?

Mr. BROWN. As I said, we had sufficient information to go to Mr. Carmody and explain that information to him.

Mr. FULTON. But, before going, you didn't obtain information from the other two parties involved in the conversation.

Mr. BROWN. If we had had jurisdiction, this would have been a case for decision, and naturally we would have done many things. We would have carried on investigation, we would have heard persons; but this was a case of not having jurisdiction, and we passed on such information as we had.

Mr. FULTON. And when you got to Mr. Carmody's office, who was present?

Mr. BROWN. As I remember, Mr. Carmody and Colonel Westbrook. We went over the whole matter and discussed the matters that I have explained, and left.

Senator HATCH. You told them that the Currier Co.'s principal business was the building supply business?

Mr. BROWN. That is right.

Senator HATCH. And inexperienced in construction?

Mr. BROWN. That they had just, as I have said, been predominantly, I might say almost exclusively (whatever the value of the words is) building suppliers.

Senator HATCH. And you gave that as information to Mr. Carmody and Colonel Westbrook?

Mr. BROWN. As far as it had come to our attention.

Senator HATCH. And you heard nothing whatever from the Currier Co. or any other person interested, except the two men?

Mr. BROWN. It was evident, as to Mr. Carmody, what our sources of information were, because the whole thing—

Senator HATCH (interposing). You did explain to him what your sources of information were.

Mr. BROWN. As far as I know, it was entirely understood by all.

Senator HATCH. You didn't give that, then, as a fact; you merely passed on to him what these men had said to you; is that correct?

Mr. BROWN. That is right.

Mr. FULTON. Did you inform him that the board of review had not taken any further action because it considered that it had no jurisdiction at all in the matter?

Mr. BROWN. That is right.

Mr. FULTON. And that you were not asking him to take any action, or advising him that you considered any action advisable?

Mr. BROWN. Well, it being out of the jurisdiction of the board, as far as we were concerned we had done what we thought was necessary.

Mr. FULTON. And you didn't even inform him that there was any action which you thought was desirable?

Mr. BROWN. On our part; no.

Mr. FULTON. On the part of any one or the three of you?

Mr. BROWN. It was our job to explain to him what the situation was, which I think we had not only a responsibility but an obligation to do. We did that.

Mr. FULTON. Did you ask him to withhold action?

Mr. BROWN. He had already given us the courtesy of waiting until we came. As far as I remember, that was the last withholding of action as far as we were concerned.

Mr. FULTON. And that was on what day, approximately?

Mr. BROWN. That was the 24th of September.

Mr. FULTON. Since that time have you taken any action of any kind in the matter whatsoever?

Mr. BROWN. No; we had done what we thought was necessary, and, as far as we were concerned, that was all.

Mr. FULTON. And did you make any report to the O. P. M.?

Mr. BROWN. No.

Mr. FULTON. Formally or informally.

Mr. BROWN. No; it was a matter of discussion, naturally.

Mr. FULTON. And with whom did you discuss it?

Mr. BROWN. Oh, all sorts of people.

Mr. FULTON. Would you tell us some of those and their official connection?

Mr. BROWN. The case was discussed by myself and others; with Mr. Brandwen, Mr. Niles; Mr. Hillman was away; I don't remember any others. In that case that was the group of us who happened to be concerned with those matters in the case of O. P. M.

Mr. FULTON. And in what way were they concerned with those matters?

Mr. BROWN. They are always concerned with industrial-relations problems affecting the defense program. That is our job.

Mr. FULTON. And that being so, I take it you made an investigation of the facts in the case.

Mr. BROWN. As far as I did myself, as a member of the board of review, no. I had many other duties at the O. P. M. which I had to carry on.

Mr. FULTON. Well, so far as you know, did any of these other persons concerned with these relations make it?

Mr. BROWN. A part of our job at O. P. M. (not mine particularly—on the part of our staff) is to investigate every possible cause of industrial disturbance which can delay the defense program.

Mr. FULTON. So far as you know, did any man on behalf of O. P. M. make an investigation of Mr. Currier's plant and facilities to perform this contract?

Mr. BROWN. So far as I may assume that anything concerning the interruption of the defense program they would have investigated.

Mr. FULTON. But I mean, forgetting the assumption, do you know of any man doing anything on that?

Mr. BROWN. Not myself, not directly.

The CHAIRMAN. Any questions, Senator, to ask; Senator Brewster?

Senator BREWSTER. Did Mr. Currier ever make any effort to see you, as far as you know?

Mr. BROWN. Not as far as I know, sir.

Senator BREWSTER. Did the board ever decline?

Mr. BROWN. Not that I know.

Senator BREWSTER. You were quite ready to confer with him or any of his representatives?

Mr. BROWN. As members of the board; yes.

The CHAIRMAN. Senator Wallgren? Senator Ball? Senator Murdock? Did you have a question to ask? Do either of the other members of the board desire to make a statement?

Mr. GRAY. I'd like to make a statement as a member of the building-trades council, but I do not mean to do it as a member of the board of review. As a member of the board of review—

The CHAIRMAN (interposing). In that case, we will take you later.

Mr. GRAY. As a member of the board of review, I would like to make this statement, that the people that I represent on that board of review have never construed the stabilization agreement as a monopoly of any kind. Their interpretation of that stabilization agreement is that where an employer elects to hire A. F. of L. building tradesmen, then the agreement does apply; but, where an employer operates as an open shop or under a nonunion condition, the agreement has no jurisdiction, and that was the determination of the board in the Currier case.

The CHAIRMAN. That will be all, gentlemen. We will give you a chance to be heard later, Mr. Gray. Mr. Hillman, you have been sworn by this committee, have you not?

Mr. HILLMAN. Yes.

The CHAIRMAN. You don't need to be sworn again. You have a statement?

TESTIMONY OF SIDNEY HILLMAN, ASSOCIATE DIRECTOR GENERAL, OFFICE OF PRODUCTION MANAGEMENT

Mr. HILLMAN. With your permission, Mr. Chairman, I would like to read a statement, and I'd like to say before I read it that I personally accept full responsibility on this particular matter. The advice I have given to Mr. Carmody, I'd give again today; and, of course, the fact that the matter came up before the board of review does not alter my responsibility as Director of the Labor Division of O. P. M.

The CHAIRMAN. Proceed with your statement, Mr. Hillman.

Mr. HILLMAN. May I say further that I am in contact with Mr. Knudsen daily on the matter, and with Mr. Oliver, the head of my Labor Relations Section. I regret very much that absence from the city prevented me from appearing before your committee earlier.

I have just returned from an extended inspection tour of defense plants and shipyards on the west coast. Otherwise, of course, I should have sought to discuss the Detroit housing project with your committee at an earlier date.

I am glad to have the opportunity of explaining to your committee the policy which guided the action of the Office of Production Management and the Labor Division in the so-called Currier case, on which so much attention has been centered. In order to do so, it is first necessary for me to define my own particular functions. My primary responsibility relates to the formulation and application of sound labor policy in the performance of our defense program. In other words, my task is to make sure, as far as possible, that production proceeds without the interruptions that might arise from

unsound labor practices. This assignment also involves insuring an adequate, qualified labor supply to meet the ever-growing requirements of our defense effort. Relations between management and labor must be kept harmonious, for without this harmony, we cannot have the conditions which alone can guarantee continuity of defense production. To do this successfully, we must have the kind of labor policy which will enable Government, labor, and management to work together smoothly and effectively for defense. We must, therefore, seek to avoid any circumstances which might disturb or destroy this kind of cooperation.

Not long after the National Defense Advisory Commission was established in 1940, it was recognized that labor stabilization agreements in defense industries were highly desirable, if our defense program were to go forward at the necessary pace. One of the basic industries in which stabilization was particularly urgent was that of shipbuilding. As a matter of fact, it is only fair to point out that this need for shipbuilding stabilization was first suggested by the Production Division of the National Defense Advisory Commission.

We of the Labor Division, therefore, inaugurated stabilization conferences in the various shipbuilding zones—the Pacific coast, the Gulf coast, the Atlantic seaboard, and the Great Lakes. Government, management, and labor were represented at these conferences. It is to be noted that spokesmen for both A. F. of L. and C. I. O., both of which have substantial representation in the industry, participated in the negotiations. Note that, because it has been alleged that one organization is favored over the other. As a result of these conferences, stabilization agreements were established throughout the country, setting up basic wage rates, shift standards, and other uniform working conditions, and also eliminating strikes and lock-outs.

From the moment that these agreements went into effect, they began to quicken the pace of shipbuilding construction. On my recent trip to the west coast, management and labor and Government spokesmen all assured me that the Pacific coast stabilization pact was largely responsible for both improved output and improved morale. Other sources merely confirm what I learned on the coast.

An industry no less important than shipbuilding is that of defense construction. Construction is not only the biggest single part of defense, it is also the first step in defense. Before we can produce guns and planes and tanks, we must build defense plants or alter nondefense plants to new production. Before we can lay the keels of our men-of-war and cargo vessels, shipyards and ways must be made ready. Similarly, if we are to train our Army well, our soldiers must be provided with proper living conditions in camps and cantonments.

The defense construction job will require 1,300,000 man-years of labor during 1942, with 1½ million or more workers on the job during most of the year. This is larger than the labor force needed for airplanes, for ships, or for tank production. For defense construction purposes alone, the Congress has already authorized approximately \$10,000,000,000.

All the Government agencies engaged in defense construction saw the necessity of a stabilization agreement for this important industry. In the spring of this year they asked me (I would like to stress that,

that the initiative came from Government) whether I could not arrange a stabilization agreement for construction similar to that which was proving so successful in shipbuilding.

General Somervell, who is in charge of construction in the Quartermaster Corps, pointed out the many difficulties and variations in labor conditions and practices which Government agencies were seeking to surmount. And he discussed with me on several occasions the existing difficulties, and the possible greater difficulties in the future, unless we could come to some national agreement and understanding with the unions involved. His position was supported by Admiral Moreell, in charge of the Navy's Bureau of Yards and Docks. Both the Army and the Navy, like other Government agencies, were finding that unresolved labor problems were likely to impede the swift completion of many defense construction projects.

These and other officials complained that Government agencies were often placed in the position of competing for labor—one branch of the armed services pitted against another.

The Navy and Army might have two projects in the same locality, and each one would be competing for labor, and, of course, the highest bid ultimately became the condition for everybody else. You can just conceive what that would mean when the whole program goes into effect, with the scarcity of labor and a tighter and tighter labor market.

Frequently one or the other would have to offer higher wages to maintain a labor supply adequate for the job. Some trades were receiving double time for overtime work. Others were getting time and a half. This was unsatisfactory for obvious reasons. The workers receiving the lower rate would understandably be discontented. It, therefore, became necessary to raise the overtime rates of such workers in order to retain their services.

In some instances, they had to pay them double time or not work overtime and delay our defense program.

At the suggestion of representatives of the Army, I conferred with Messrs. Bates, Coyne, Gray, Byron, and Masterton, and other officials of the buildings-trades department of the A. F. of L. Mr. Tracy, the Assistant Secretary of Labor, also participated in these exploratory meetings. All these men were convinced that stabilization was desirable and that they could enforce any agreements that might be made.

I wanted to find out from them whether it's possible to have a stabilization agreement, because, gentlemen—I say it frankly—in this situation there was nothing much that a Government official had to offer outside of stability. We were in the situation where we were asking the cooperation of labor. We were asking them to give up things, and I am glad to have the opportunity to disabuse the minds of the public because of the lack of information or misinformation about this particular subject matter on whether or not there was anything else in this proposition but what is written right in that stabilization agreement. That stabilization agreement gives all the advantages to the Government of the United States, and, of course, we expect labor to cooperate. There were 19 international unions at this conference. They are spread practically in every village in the country—every city, every town—and I asked the gentlemen who met with me, "If you accept the responsibility, can you enforce it?"

Their cooperation had always been satisfactory before, and I said, "Don't make a binding agreement unless you can enforce it."

I had these exploratory conferences, and they assured me that they were ready to go ahead and negotiate, seeing whether an agreement can be effected.

Senator BREWSTER. Could you give approximately the period covered by these discussions?

Mr. HILLMAN. May I, Senator? I am delighted to put it in the record. It was in the spring of the year, of this year.

Senator BREWSTER. Last spring?

Mr. HILLMAN. Yes; this last spring—I will also get a letter written to me by General Somervell, and I will be glad to supply the information for the record.¹ What I would like to bring out is that as far as working together, these groups have cooperated with the National Government right from the beginning.

Joint conferences thereupon took place between representatives of the Government agencies engaged in defense construction, and representatives of the building trades, with its 19 affiliated crafts.

I wish to emphasize again, gentlemen, that these conferences were initiated by representatives of the armed services. They wanted my help and that of the Office of Production Management in coping with disorderly and haphazard labor conditions.

The War Department, the Navy Department, the Federal Works Agency, and the Maritime Commission, all named representatives to meet with spokesmen for the building trades for the purpose of negotiating an agreement that would bring stability to defense construction.

General Somervell and Mr. James Mitchell represented the Construction Quartermaster Corps. Colonel Lorence represented the Engineer Corps. Admiral Land and Mr. Daniel Ring represented the Maritime Commission. Mr. Lapp and Mr. Fitzpatrick represented the Federal Works Agency.

In the construction field, practically all organized workers were affiliated with the American Federation of Labor. So, of necessity, the Government agencies dealt with the unions which had the members. As far as it is known, that is the situation today, gentlemen, and I have been in the labor movement for over 30 years. I have met with the A. F. of L. and C. I. O. and I know very well the Detroit situation, or I ought to know it, and if I don't know the Detroit situation, Mr. Knudsen can inform me about the situation over there.

Senator BREWSTER. Approximately how many members did the building trades have before a year ago?

Mr. HILLMAN. It is impossible for me to give that, but it is assumed that they have over a million and a half members in these 19 affiliated trades.

Senator BREWSTER. Is that as of today or a year ago?

Mr. HILLMAN. I couldn't say. They say today they have over 1,600,000.

Senator BREWSTER. You know that there has been a very great change in the membership in the last year.

¹ The letter from General Somervell to Mr. Hillman appears in the appendix on p. 2821.

Mr. HILLMAN. I don't think particularly more than any other organizations. Of course, when people are reemployed, membership grows.

Senator BREWSTER. You know, Mr. Hillman, that various places where there is a small union with 200 or 300 members they suddenly got five and six thousand members or more as a result of these Government arrangements. You know that, Mr. Hillman. Why evade it?

Mr. HILLMAN. I don't think that that is the situation.

Senator BREWSTER. You don't know that?

Mr. HILLMAN. Just a minute. In reporting before in this situation, when in a case of a small community we need building trades, we have to transport them from Chicago, New York, and usually they transport their own membership from other places.

The CHAIRMAN. How many of these building trades are unorganized? How many unorganized building trades are there?

Mr. HILLMAN. I would say it would be just a guess. Of the 2,050,000 who have been employed in the construction trades as of the last few months, I would say no more than 500,000 are nonunion. That would be a guess.

The CHAIRMAN. Well, one of the reasons for the lack of expansion in the union which you are talking about has been due to the fact that initiation fees have been made so high they couldn't get in.

Mr. HILLMAN. Senator, I have testified before congressional committees, and I have placed either before your committee or other committees way back last year, when these complaints were made, evidence that I have taken it up with the Building Trades Division, and they passed a resolution permitting people to work as nonunion if there are no union people available.¹

The CHAIRMAN. They still pay their dues to the union, don't they?

Mr. HILLMAN. I couldn't say in every case.

The CHAIRMAN. They pay their dues, and still there has been no change in the membership. I think you will find that is true.

Mr. HILLMAN. I will be glad to find the facts.¹

Senator BREWSTER. Isn't it true in most of the construction jobs, the cantonments, it was necessary for the new members to pay around \$50 as a membership fee before they could have a job?

Mr. HILLMAN. That is the information that came to us about a year ago, and we checked it. In some cases we made the local union give it back.

Senator BREWSTER. You do understand that practice is no longer to prevail?

Mr. HILLMAN. My understanding is that that particular practice is not to prevail, according to their own resolutions, and all we do, Senator, when we get those complaints, is to take these matters up. I have right now some complaints, not in the construction industry but some other—shipbuilding—where alleged abuses of this kind have taken place. I have sent a representative of mine to the State of Oregon to investigate, and he reports to me, and when I get the facts I will take it up with the representatives of the international union.

¹The resolution of the Building and Construction Trades Organizations of the A. F. of L. appears in the appendix on p. 2823.

Mr. FULTON. Mr. Hillman——

Mr. HILLMAN. May I proceed?

Mr. FULTON. On this one point already taken up, when you told Senator Truman there are around 500,000 nonunion men, do you mean that to be an estimate of nonunion men engaged in the construction industry?

Mr. HILLMAN. That is right.

Mr. FULTON. As distinguished from defense construction?

Mr. HILLMAN. I mean all the way through.

Mr. FULTON. And only 500,000?

Mr. HILLMAN. That is simply an estimate of mine. My association with these unions is in negotiations through these conferences.

Mr. FULTON. That means, then, if there are one million and a half men in the A. F. of L. trades and if you have made a finding that there are practically none in the C. I. O., you are of the opinion there are only 2,000,000 people engaged in building construction.

Mr. HILLMAN. Two million fifty thousand was the latest report to me, and, of course, I want to take the report of the Bureau of Labor Statistics. I don't go behind those reports.

Mr. FULTON. Would you furnish the committee with a copy of the report?¹

Mr. HILLMAN. Yes; I will be glad to. I am making no statement on the membership of the C. I. O. in this field. I am sure the C. I. O. would be in better position to make that statement.

The CHAIRMAN. We will let him speak for himself.

Senator BREWSTER. On that point—it is a little personal—are you a dollar-a-year man with the Government, or what is your status?

Mr. HILLMAN. I understand Congress made a provision in the law under which Mr. Knudsen and I are holding our offices that we are not entitled to even a dollar a year.

Senator BREWSTER. And you are still under the pay of your——

Mr. HILLMAN (interposing). I receive my compensation from the organization I have been president of.

Senator BREWSTER. What is that?

Mr. HILLMAN. The Amalgamated Clothing Workers of America.

Senator BREWSTER. And what is your salary?

Mr. HILLMAN. My salary is \$12,500 a year.

Senator BREWSTER. And you receive no pay from the Government?

Mr. HILLMAN. I receive no remuneration, except that when I go out on Government business—for example, when I go to the Pacific coast—I use Government transportation.

Senator BREWSTER. Is that Amalgamated Clothing Workers affiliated with either of these organizations?

Mr. HILLMAN. The Amalgamated Clothing Workers of America is an affiliate of the C. I. O.

The CHAIRMAN. Proceed with your statement.

Mr. HILLMAN. In the construction field practically all organized workers were affiliated with the American Federation of Labor. So, of

¹ Mr. Hillman subsequently supplied the committee with the following report:

"October 30, 1941: Mr. Herman B. Byer, Chief of the Construction and Public Employment Division of the Bureau of Labor Statistics, estimates the total number of employed wage earners in the building and construction trades, as follows: June 1940, 1,356,000; June 1941, 1,866,000; September 1941, 2,050,000."

necessity, the Government agencies dealt with the unions which had the members. From the very outset of the defense program we had seen that the building trades department had been able to bring men from long distances to defense projects in all parts of the United States. For example, at Corpus Christi, Tex., the building trades department succeeded in bringing 18,000 qualified construction workers in, to convert waste land into the largest naval air-training station in the world. Frequently qualified workers were transported by the building-trades union to urgent defense projects from distances as great as 2,000 miles. In some instances this was done by plane, because of the urgency of the situation, all at the expense of the building-trades union or the local organizations, and not at the expense of any contractor or of the Government.

The CHAIRMAN. This importing of these building-trades people kept a lot of local people out of work, didn't it?

Mr. HILLMAN. No; there were just no people there. Take Corpus Christi—they needed the skilled men. They haven't imported unskilled men.

Senator BREWSTER. That was a closed-shop job?

Mr. HILLMAN. I would like to look into it. It must have been; otherwise they wouldn't have done it at their own expense.

Senator BREWSTER. At Jacksonville, Fla., the Navy did their air station at open shop, while the Army at Blanding, 40 miles away, did it at closed shop. There is a very great contrast between the two conditions.

Mr. HILLMAN. Senator, you know I haven't got that information.

Senator BREWSTER. That is why I wondered about Corpus Christi. There is also a tremendous turn-over. All our evidence is that out of 5,000 carpenters, 4,000 of them were what were called Sears, Roebuck carpenters. Are you familiar with that?

Mr. HILLMAN. I was told that, but probably the Sears, Roebuck carpenters could work, because there were a thousand qualified carpenters.

Senator BREWSTER. Maybe that is so, but they were not experienced men or experts; they were simply workmen.

Mr. HILLMAN. I am not qualified as an expert in building construction; all I know is that I have not personally given contracts for construction of homes on behalf of our organization. There are obviously certain parts that must be done by qualified labor, and the building trades have supplied the qualified labor. They have acted as the best employment agency the Government has had and has today.

They negotiated an agreement of which I am extremely proud, and I will say this—that I will stake my reputation of 30 years in the labor movement and all that I know about industrial relations; I will stand back of every provision of that agreement. It is a fair agreement; it is an agreement that is helpful to the Government, that is making the greatest contribution to national defense.

The CHAIRMAN. Proceed with it. Let's get it in the record.

Mr. HILLMAN. The agreement was arrived at without the intervention in the negotiations of any representative of O. P. M. I didn't have a representative presiding over these meetings. They left it to the Government agencies. Let's see what was accomplished.

The agreement is brief. It deals only with the broad principles making for stability of industrial relations in the field of construc-

tion. May I suggest that it is worthy of the careful reading of each and every one of you. For your convenience, a copy of this agreement was placed on your desk this morning.

The first paragraph deals with uniform overtime rates.

The second paragraph deals with uniform shifts.

The third provides against stoppages of work.

The CHAIRMAN. How about paragraph 3? Has it been strictly enforced?

Mr. HILLMAN. As far as I know, by the unions, by the national organizations, it has been strictly enforced—as far as I know. There may be a little interruption in the local organizations. The minute we notify the national organization, they send out men to stop it. The record of interruption in construction is the best record we have, and I am just quoting the Under Secretary of War, Judge Patterson, that less than one-third of 1 percent was the time lost in the whole construction program of the War Department up to a few months ago.

As I have said, the third provides against stoppages of work as against any jurisdictional disputes or for any cause.

The fourth makes fair provision for subcontracting. I would like to have you gentlemen note that. That was put in because of the complaints of the subcontractors, the small men. The fixed-fee contracts are putting the small men out of business.

The CHAIRMAN. That is true.

Mr. HILLMAN. And we have put in there that they have to use subcontracting, if they have used it before, because naturally large contractors can experiment at Government expense and seek to do the things that they are not qualified to do.

Now, we have that provision. I say that because so many people are worried about this agreement's not doing the right thing for the small man.

Mr. FULTON. In that respect, Mr. Hillman, do you construe that provision as preventing the telephone workers of the C. I. O. unions employed by the telephone companies from doing work on their projects which could be subcontracted?

Mr. HILLMAN. If the telephone workers have joined the C. I. O., it must have been very recently, because as far as I know they are not members of the C. I. O. It is an independent union.

Mr. FULTON. And you have never heard of any question involving telephone equipment?

Mr. HILLMAN. Oh, yes; I will be delighted to answer that. I had the representatives of the union and the telephone company and everybody else in my office, and we have discussed the matter.

Mr. FULTON. Does that come up under this particular provision we are now talking about?

Mr. HILLMAN. No; it would come under the contract, I believe, and of course I do not pass on it. It is not in my jurisdiction. The board of review would pass on it. If it had not gone to the board of review——

The CHAIRMAN (interposing). You took the responsibility in the Currier case away from the board.

Mr. HILLMAN. Pardon me, the Currier case does not belong to the board of review. The stabilization agreement was made with the

A. F. of L. where they employ people. It couldn't be applied where they don't employ people. They have been given no monopoly.

The CHAIRMAN. Well, proceed; let's get this thing in the record.

Mr. HILLMAN. The fifth provides for a predetermination of wage rates by stipulating that consideration shall be given to the rates prevailing in the area from which labor must be drawn to man the job.

The sixth provides that the agreement shall be Nation-wide.

The seventh provides for sound development in the number of apprentices.

Finally, the agreement sets up a board of review.

Of course, if you provide there shall be no strikes and no lock-outs, there must be a place for adjudication of differences that may arise between the parties.

I am reading these because newspaper reports have brought up the question of a monopoly, and sometimes alleged that this turns over all the Government work on a closed shop to the American Federation of Labor. Of course, it is not so and I believe the best answer is to find out what is going on.

This agreement is currently applicable to more than 500 active projects, running to billions of dollars, under the jurisdiction of the Army, Navy, Maritime Commission, and other Government agencies. Although in operation only since August 1, the stabilization pact has worked distinctly to the advantage of both Government and labor. It is pertinent to note that the Defense Plant Corporation, which had not been included in the original negotiations—that is, under the Secretary of Commerce—later requested that it be made a party to the provisions of the stabilization agreement, and it took us a couple of weeks before we convinced the American Federation of Labor to spread that agreement to the Defense Plant Corporation, which meant giving up double time and other things that the local unions have enjoyed.

The benefits which the Government has derived from this agreement are so great that I feel that they merit brief comment. Many of the A. F. of L. building crafts had been receiving double time for overtime work. Detailed schedules showing the substantial sums of money expended for double time for overtime were presented by Government officials at the conferences. The conferees, however, were able to obtain an agreement which eliminated double-time payments and established a uniform rate of time-and-a-half for overtime.

This concession was a distinct sacrifice on the part of workers of the American Federation of Labor in the construction industry. I am informed by the construction quartermaster of the War Department that this reduction in overtime rates will save the Government enormous sums in defense construction already under way. And if, as we may anticipate, this construction program is expanded still further, these savings to the Government and to the taxpayers will amount to a much greater figure. Here is a voluntary contribution to the defense program upon the part of American workers that everyone interested in reducing costs might do well to ponder long and hard.

Labor made several other important concessions. It agreed to put in three shifts a day whenever the Government agencies desired it, without any additional compensation for the late shifts. Before the

stabilization agreement went into effect the number of shifts to be worked on any project was regulated by the local customs in the trade or craft concerned. In some places, I am informed, it was customary, for example, for the bricklayers to work no extra shifts, for the plumbers or steamfitters to work only two shifts, or for another craft to work three shifts; and, of course, we can't work one craft if the others are not also on the job.

We realized that if this construction program was to be pushed ahead we must, in some instances, work around the clock. Yet revision of long-established practices involved no extra cost to the Government. And when time is short the importance of keeping work going the full 24 hours cannot be overemphasized.

We need TNT quickly. The delay of 24 hours in a building affects our defense program.

Furthermore, the unions agreed that, during the emergency, all strikes and stoppages of production would be outlawed, thereby guaranteeing an era of industrial peace in an industry where continuous production is crucial to defense.

As a corollary of the provision against strikes and stoppages, both Government and labor agree to arbitrate any differences that might arise. A board of review was, therefore, set up to interpret and apply this stabilization pact. All disputes arising under this agreement are to be submitted to this board for determination, and its decisions are to be final and binding upon all parties. This board consists of one representative from the American Federation of Labor's building-trades department, one representative from the Government construction agencies, and one from the Office of Production Management.

Gentlemen, this is the ideal thing, where you have voluntary arbitration.

Mr. FULTON. Mr. Hillman, has that board of review actually had before it any of these cases involving stoppages of work?

Mr. HILLMAN. I would have to look that up.

Mr. FULTON. You don't remember?

Mr. HILLMAN. I know one thing, that we have no trouble, as far as I know, in the construction trades; otherwise it would come to my attention.

Mr. FULTON. And you don't remember whether there have been any stoppages of work by A. F. of L. unions since the 1st of August?

Mr. HILLMAN. We had something in connection with the telephone company, and the question of whether that proposition is under that contract. If it is, of course there can be no stoppage. If it is not, of course they have a right to stop work.

Mr. FULTON. But on these cases where there have been stoppages of work—and I understand there have been quite a few since the 1st of August—

Mr. HILLMAN (interposing). There must have been very few.

Mr. FULTON. Has any one of those come before this board for any action?

Mr. HILLMAN. They would come to the board, I take it, if the unions would refuse to tell their people to go back to work. First, we call upon the American Federation of Labor to make effective their provisions of the contract.

Mr. FULTON. But the contract provides that there shouldn't be any stoppage in the first place.

Mr. HILLMAN. That is right. We have men and laws, but a few people get up and don't feel right in the morning and stop, and all I can do is ask the agencies of the labor organizations, not merely in the construction trades but in every trade, to make good on their contract and tell their people to go back to work.

Senator BREWSTER. Mr. Hillman, I have a copy of the New York Times of yesterday in which I read, "The O. P. M. Labor Division"—that is your Division, I assume—"listing strikes in progress reported today"—that is of October 18—"that 29 labor disputes were current in plants working on Army and Navy defense contracts, but contended that 'only 7 cases involving approximately 11,000 workers have any significant effect on the defense effort.'"

Mr. HILLMAN. I would say, from my information, not one affects construction. This would be just the general situation. Of course, the public is entitled to information, but if the New York Times would also print at the same time that tens of millions of people are at work and only a few thousand are stopping, they would give all the information to the public.

Senator BREWSTER. They gave your quotation, and I read it—only 11,000. I think they did complete justice to you.

Mr. HILLMAN. I mean to give all the time to the public mind the fact that we are dealing with over 40,000,000 people engaged in various pursuits, and today the border line of nondefense and defense is all the time evaporating, because, gentlemen, today farm produce is part of our defense proposition.

Mr. FULTON. And the farmers aren't striking, are they?

Mr. HILLMAN. The farmers are not, but we also have to make sure that the people working on the farms do not strike, and they are not.

Senator HATCH. You don't know of any indications of that, do you?

Mr. HILLMAN. I don't know. I think generally, Senator, that the general labor situation is rather satisfactory. Yet we are not satisfied. We believe that there ought not to be a single strike at this time, because the Government has provided channels for conciliation and mediation. But, gentlemen, there is no real situation on the question of strikes alone that ought to disturb us much at this time. We don't want any strikes. They are bad for the morale of the Nation. They ought not to happen; they ought to go to the Mediation Board. They do, ultimately, if they stop work at all; but it is a matter of education.

In the long run, labor benefits from the stable conditions of employment that this kind of agreement provides. More particularly, labor benefited when the Government agencies agreed, in setting up wage rates, to take into consideration scales prevailing in those localities from which the workers came to the job.

I wish to pause at this point to say if we would have a stabilization agreement in all basic industries, most of our labor relations problem would be solved, and we are trying to spread these agreements wherever we can.

This agreement was submitted to the O. P. M. council, that is, to Mr. Knudsen, the Secretary of War, the Secretary of the Navy, and myself. It was given wide publicity.

If any of the gentlemen haven't read these agreements, even if they represent other agencies of the Government, I suggest to them that they read the papers so they will not be surprised at any agreement. It was announced from the White House at our request, so it was given wide publicity.

No complaint was ever made about it by any other department of the Government, and I regret any department of the Government or their representatives not bringing it to our attention first if they believe that anything we do in national defense is not in the interest of the public welfare.

I wish to reply to the many misstatements and misunderstandings that have characterized this whole Currier matter. These, in large measure, sprang from ignorance and, in some instances, from a desire to confuse and befuddle.

In the first place, I want to state as emphatically as I know how that the agreement from which I just read is the whole agreement. There are no secret or unpublished clauses.

There is one statement advising that we don't use, so far as it is possible to avoid it, the people in the Federal agencies, the W. P. A. people; that we make a greater effort at putting them to work instead of utilizing them for construction, but there is nothing binding; it is just a recommendation from the agencies and the union.

The agreement was openly arrived at, and its terms were made public as soon as the negotiations were concluded. Gentlemen, I have made that the subject matter of at least two press conferences—and if that isn't good enough, I don't know what else to do—that some people may know that these agreements have been negotiated.

Secondly, the agreement makes no provision directly or indirectly for a closed shop. It does not harbor or foster any monopoly. No one understands this point more clearly than the A. F. of L. itself. They were told not to fool themselves; that this is not a proposition which will turn over to them every project on a closed-shop basis. Mr. Gray stated that for the record this morning, I am glad to say, on behalf of the American Federation of Labor.

It may interest you to know that, according to the information furnished me by Mr. James P. Mitchell, the labor relations adviser to General Somervell—by the way, gentlemen, a man who has had a great deal of experience in labor relations, and I don't have to say his services are satisfactory to the Government—the list of 86 pending fixed-fee construction quartermaster projects alone, contains 30 projects in which contractors employed no A. F. of L. workers or only a fraction of A. F. of L. members—the best answer to all these stories.

Whereas no precise figures on this subject are available from other Government agencies, I am reliably informed that this proportion on nonunion jobs is probably typical. Certainly, in the light of this situation, it requires no elaborate logic or argument to disprove any suggestion of monopoly or of the closed shop.

Senator BREWSTER. You have advised Mr. Thurman Arnold of this, have you?

Mr. HILLMAN. If Mr. Arnold asks for my advice or any information, I will be delighted to give it, so that the newspapers may quote these things correctly.

In the third place, the agreement does not prohibit the use of prefabricated materials on projects employing A. F. of L. workers. I want that stated as emphatically as I can state it. And now speaking of my own record. I have always been opposed to hindering technological development. The whole American standard of living, the higher standard of living, is based on technological development. But that is my own view. I say to you without any question that the American Federation of Labor have no ideas that this agreement will stop prefabricated housing.

Senator HATCH. Right there, Mr. Hillman, I have been reading your statement on further, and while the agreement does not preclude the use of prefabricated material, if a situation arose in which the American Federation of Labor, for instance, objected to the use of prefabricated material and such an objection would, in your opinion, cause industrial strife, then you would recommend that prefabricated material not be used, would you not?

Mr. HILLMAN. No, sir.

Senator HATCH. That is what you have done in the Currier case, isn't it?

Mr. HILLMAN. No; pardon me. We will come to that. I assume full responsibility. No question of prefabrication is involved in the Currier case.

Senator HATCH. I didn't mean that there was. I meant that because there was a threat of industrial strife—

Mr. HILLMAN (interposing). Pardon me, these people have an agreement with us, Senator, to arbitrate their propositions; and, gentlemen, it is a matter of record that when a group of people went out on strike in San Francisco against the stabilization agreement, in the shipbuilding industry, the Government did not make a single concession. We proposed to make fair agreements and then enforce them and not be scared by anybody.

Senator BREWSTER. Mr. Hillman, your stabilization agreement in the shipyards on the west coast did not provide for a closed shop, is that not true?

Mr. HILLMAN. Yes, sir; it does not.

Senator BREWSTER. It did not?

Mr. HILLMAN. That is right.

Senator BREWSTER. And yet in the rumpus which resulted, it was the stipulation of the closed shop by the union that caused the difficulty, was it not?

Mr. HILLMAN. No, sir.

Senator BREWSTER. Did not the unions add the closed-shop stipulation before any agreement would be made?

Mr. HILLMAN. Not of those yards; most of them—

Senator BREWSTER (interposing). I am asking you to answer the question.

Mr. HILLMAN. Oh, yes. Most of them were under closed shops before.

Senator BREWSTER. I am asking you to answer whether the addition of the closed-shop provision to your stabilization agreement was not the occasion of the trouble?

Mr. HILLMAN. No; the occasion of the trouble—

Senator BREWSTER (interposing). Then answer this.

Mr. HILLMAN. Let me give you the explanation, if I may.

Senator BREWSTER. I want you to answer the question. The stabilization agreement did not provide a closed shop, is that right?

Mr. HILLMAN. That is right.

Senator BREWSTER. The unions required the closed shop before they would execute the stabilization agreement, is that not correct?

Mr. HILLMAN. No, sir. Before——

Senator BREWSTER (interposing). That is contrary to the evidence before our committee.

Mr. HILLMAN. Pardon me. I am just giving you the best of my knowledge. We make a stabilization agreement, then we say to them, "On matters that the Government does not intervene—and that is the closed-shop provision—we don't say yes or no."

Senator BREWSTER. That is right.

Mr. HILLMAN. We say to them that under that you can negotiate yourself. Of course, if they couldn't reach an agreement, I would then, as the responsible head of the Labor Division of National Defense, ask the Secretary of Labor to certify to the Mediation Board, as in any other dispute.

Senator BREWSTER. Will you answer this, then——

Mr. HILLMAN (interposing). The difficulty that arose then was that certain groups refused to accept time-and-a-half, because they had double-time before; and refused to accept \$1.12 an hour for machinists instead of other things that they wanted. That was the issue. On top of that, there was a dispute with the Bethlehem Corporation which had nothing to do with it, which was just a different part. The strike was called by the machinists in that industry not on the closed-shop issue, and anyone who says it was is trying to confuse the issue.

Senator BREWSTER. Wasn't it a fact that the Bethlehem Co. were entirely ready to sign on the dotted line on your stabilization agreement, hook, line, and sinker?

Mr. HILLMAN. Quite right. Quite right.

Senator BREWSTER. Then how can you say they were responsible for the trouble?

Mr. HILLMAN. Oh, no; I said that the people who called the strike were a group of machinists who were dissatisfied with time-and-a-half for overtime, with the rate established.

Senator BREWSTER. Now Mr. Hillman, when any employer groups decline to accept the Government finding of these agreements, they crack down on them.

Mr. HILLMAN. Would you like to leave that stand? I don't think it is quite fair, Senator.

Senator HATCH. I won't pursue that.

Mr. HILLMAN. You have said it and I want the record to show my silence does not mean consent.

Senator HATCH. I want to ask Mr. Hillman just another question or two along the line I was asking a moment ago. I do not want you to think I am criticizing your stabilization agreement, or that method. I think it is fine and I think that is the thing that should be done. I think you have done a good job of work, but the thing that is bothering me is this. You say it doesn't create any monopoly, but let us assume that this Carrier Co. is a competent, qualified company, able

to do the job, and they have made a bid of \$400,000 less than any other company.

Mr. HILLMAN. Yes; whatever it is.

Senator HATCH. But because there is a possibility of a labor disturbance, which possibility has been raised by one organization, this company is denied that contract. Now, doesn't it in effect create a monopoly, regardless of the terms of the agreement? That is what I want you to explain.

Mr. HILLMAN. What I want to explain to you is that it is my responsibility to advise Government agencies on labor relations in national defense, and the record of it is right there. The fact is that in some places contracts in the construction industry are working uninterruptedly. I am going into the Currier case. Let me say, as I said before, I assume full responsibility. I have discussed it with Mr. Knudsen over the phone daily. I have discussed it with Mr. Eli Oliver, the head of my Section of Labor Relations, and other associates. In this matter my advice was purely on labor relations. I am not concerned with prefabrication. That is none of my business. Prefabrication, some people may say, does not make good housing. If I don't like the housing, I will complain against the people who are responsible. That is their responsibility.

The other question on nonunion is not involved in this situation, but here is a proposition that I followed with a great deal of attention, our Detroit situation. Our Detroit situation is as important a center for national defense, barring none, in the country. We have hundreds of millions of dollars of contracts there. It is a situation, gentlemen, where there were some labor disturbances in years back. You know that. They commanded headlines time and again. Now through the national-defense proposition, I know Detroit. I ought to know Detroit. I watched the auto workers' organization, its growth. I watched the other things.

Probably 6 months or so ago, an attempt was made—call it raiding, call it whatever it is—to reorganize the Teamsters' Union. Now, personally, I am opposed to it, generally. I believe all these things make for trouble. I had been opposed to it before I was in the national-defense effort. We have got enough trouble as it is, without doing that. When it comes in national defense, it becomes a little more than mere carelessness. It is interference with our national defense program. It is my responsibility to do something about it.

Months ago there was brought to my attention a strike of teamsters. I know Mr. Daniel Tobin and I believe he is a man that commands of people who know him a great deal of respect. Word was brought in that there was trouble in Detroit. I have sent man after man to Detroit, Mr. Fulton, for your information, before I put myself to cross-examination. We have watched the Detroit situation, Mr. Knudsen and I. It is an important area.

They had a strike on—purely a raiding proposition. Contractors under contract with the American Federation of Labor and labor representatives—I will give you the names; it was months ago; I haven't them before me—came to me and warned me, "Mr. Hillman, it means civil war. What can you do about it? Something ought to be done about it."

I sent people to the representatives of C. I. O., to the existing unions, not to those who wanted to break in, putting up to them what it means to national defense. After all, we must not merely pay lip service to national defense. We are either for it or not, and anyone who goes in with their eyes wide open to make trouble—well, they have something on their conscience.

Then I find in this Currier thing, here are headlines—I will read from them: “Strike Halts Defense Plant,” “Picket Death Quiz Bares Second Fight Victim.” Here is a picture of the man who was killed. I am not going into the merits—

Mr. FULTON (interposing). Perhaps we can go into the merits of that.

Mr. HILLMAN. My responsibility is to avoid trouble. That is my responsibility.

Mr. FULTON. With respect to that death, the man in the picket line, was that an employee of the Currier plant?

Mr. HILLMAN. No; a member of the Teamsters, a picket.

Mr. FULTON. Had he been a member of the Currier plant?

Mr. HILLMAN. I don't know, but I want no more killings.

Mr. FULTON. Was it Mr. Currier's failure to employ the man that killed the man?

Mr. HILLMAN. I say the raiding proposition has established one killing already.

Mr. FULTON. Oh, the raiding. Was Mr. Currier one of the men being raided by the C. I. O. on behalf of the A. F. of L.?

Mr. HILLMAN. I say that quarrel involved the Teamsters. Mr. Fulton, I am trying not to be technical, not to go into details.

Mr. FULTON. But I am trying to go into details.

Mr. HILLMAN. If I am wrong, it will be put right in the record.

Mr. FULTON. As I understand this strike—and I think a little detail on it wouldn't do any harm, Mr. Hillman—that strike was called on the Currier plant, and the A. F. of L. in the inquest testimony didn't claim they had even so much as a member of their organization employed by Currier. Is that correct?

Mr. HILLMAN. If you say so; I haven't the record. If you say so, I will take it as correct.

Mr. FULTON. Have you the slightest information that indicates the contrary in the back of your mind?

Mr. HILLMAN. No, sir.

Mr. FULTON. And this man who was killed was a part of some two or three hundred A. F. of L. men never employed by the Currier organization?

Mr. HILLMAN. If you say so, that is correct.

Mr. FULTON. Who were picketing the Currier plant?

Mr. HILLMAN. That is right.

Mr. FULTON. What has that to do with this so-called raid you refer to?

Mr. HILLMAN. It has to do with putting a match to a place where there is plenty of powder and blowing up part of our defense program, and I am opposed to it, Mr. Fulton.

Mr. FULTON. You mean this match would blow up the defense program because people not belonging to Mr. Currier's organization are

going to try to interfere with his performance of a Government contract that he has taken for less money? Is that what you mean?

Mr. HILLMAN. Remember, Mr. Fulton, I don't consider the Government owes anything to a single contractor; that every American owes everything to the national defense.

Mr. FULTON. And that means owes a duty to the Government of allowing men to work.

Mr. HILLMAN. If you were giving your own contract and your money were involved, not the defense of the Nation, and you would know you would get into trouble, good judgment would dictate to you not to give the contract to those people. That is my position. If it is a wrong position, I am subject to censure.

Senator HATCH. I want to ask about the stabilization agreement again. If this contract had been let to a competent contractor, nothing wrong with it at all, and labor trouble arose from parties to this stabilization agreement, what good is the stabilization agreement?

Mr. HILLMAN. Pardon me, Senator, this contract is only applicable to a situation where that particular project is under the contract. In other words, I have not asked the American Federation of Labor to sign away their right to strike on a subproject that is not covered by the contract. It would be unfair to ask them.

Senator BREWSTER. How are they going to strike on this?

Mr. HILLMAN. Pardon me; you are asking me a question. I am giving you the answer to that.

Senator BREWSTER. How are they going to make trouble on a contract in which they are not concerned?

Mr. HILLMAN. All the information I have, Senator, and I haven't got a record, but I am told that only last Sunday the largest C. I. O. local union representing the Ford Co. has censored the construction workers of C. I. O. for making trouble.¹

Senator BREWSTER. Is that why you didn't approve of this?

Mr. HILLMAN. Oh, no; oh, no. That came Sunday. What I am saying to you is this, that in my responsibility to see that the national-defense program is not interrupted, an ounce of prevention is better than a pound of cure.

Senator BREWSTER. But you will agree that we have some forty or fifty million Americans who want to help on defense, and if here were a group that would do this job as well and cheaper, why should they not have a chance, if it didn't violate any agreement, which I understand is the case? Certainly the threat of illegal and irregular disturbance is not a thing over which you are going to back down, Mr. Hillman.

Mr. HILLMAN. May I again make myself clear. When I find that a certain action of government which is completely voluntary—we don't have to do it; we don't have to give a contract to this one or the other one—will create industrial disturbance, I advise the agencies—of course, it is their business to act upon it the way they like; I am not dictating to them; I am discharging my responsibility; none of you Senators have any idea that I can just put a veto on it and that is the end of it—I advise them, and if they don't take the advice, then it

¹ Mr. Hillman subsequently submitted a copy of the resolution of the General Council of Ford Local, U. A. W. A., which appears in the appendix on p. 2824.

becomes their responsibility. If they have confidence in my judgment, they will follow that advice.

Now, then, it is my considered judgment that the awarding of the contract to Carrier—and I have never met the gentleman; if the gentleman came into the hall I wouldn't know who he was; I don't know any of the background of that particular proposition and that particular situation, but I know from our Detroit area that there is involved a proposition of raiding established A. F. of L. organizations. I know—and I ought to know, no one has to tell me about it—that it is to be expected that this will mean trouble in the community.

Senator BREWSTER. And how?

Mr. HILLMAN. By others retaliating, by calling strikes, by doing lots of things.

Senator BREWSTER. On what? What would they strike on?

Mr. HILLMAN. Gentlemen, the people have a right to their own organizations. They haven't told me that.

Senator BREWSTER. Just a moment. The American Federation of Labor has no right to strike under your stabilization agreement.

Mr. HILLMAN. They have the right to strike on propositions that do not involve—

Senator BREWSTER (interposing). Defense.

Mr. HILLMAN. Only defense projects. They are bound only to defense construction projects under this agreement employing their members, not to any other.

Senator BREWSTER. Do you mean to say that they would strike against employers on other jobs in no way related to this one?

Mr. HILLMAN. I don't know, but the record—

Senator BREWSTER (interposing). You do know.

Mr. HILLMAN. Pardon me, the record of industrial relations in the United States, going back for over 100 years, shows these things have happened, and I don't propose to be a party in any way that it may happen.

The CHAIRMAN. Just a moment, when a Senator is asking a witness a question he will please hold off until that Senator gets through his question, and then you may say whatever you please in the answer, as long as it is polite and as the Senate committee is entitled to have it.

Mr. HILLMAN. I apologize, sir.

Senator BREWSTER. What I would like to know is in just what way this trouble would come. You are an expert on labor relations, Mr. Hillman, and we are not. We are getting educated. I am not impressed with your death, because you will agree, Mr. Hillman, won't you, that you are doing business with an enormous number of concerns in this country where there have been a great many industrial deaths. Isn't that so?

Mr. HILLMAN. Yes.

Senator BREWSTER. So you are not vetoing any concern on that ground. You are not eliminating any concern on the ground that they have previously had industrial strife in which casualties have resulted.

Mr. HILLMAN. No.

Senator BREWSTER. So that isn't the ground. We have a specific situation, and how would the carrying out of this Carrier contract have resulted in trouble? Where would the trouble come?

Mr. HILLMAN. May I read you, Senator, from one of the newspapers, May 12, 1941:

Truck tie-up for whole city involved. Night parley called to avert strike. Whether Detroit's commercial trucking will be tied up by a general sympathy strike Monday or Tuesday hinged on a meeting Sunday night between Chairman Thomas J. Donahue of the State labor mediation board and representatives of the Building Trades Council (A. F. L.). * * * As a result of a deadlock between the Teamsters' Local 47, A. F. L., and building supply unions construction work project has stopped.

Senator BREWSTER. Do you mean that the teamsters' union might make trouble?

Mr. HILLMAN. Many people, when trouble starts——

Senator BREWSTER. No, no——

Mr. HILMAN. It may.

Senator BREWSTER. Is Mr. Currier dependent on the teamsters' union for his operation?

Mr. HILMAN. I don't know, but we wouldn't want teamster trouble in the city of Detroit.

Senator BREWSTER. I thought our information had been that Mr. Currier was not dependent upon the teamsters' union.

Mr. HILLMAN. I am reading here that the whole city was to be tied up.

Senator BREWSTER. Do you mean to say it would tie up the whole city if we made the Currier contract?

Mr. HILLMAN. I am just quoting from May 5 and reading for the first time that particular headline in a Detroit paper of what has happened, and I don't believe we owe it to Mr. Currier to take this chance, to gamble.

The CHAIRMAN. I don't think it is what we owe Mr. Currier. It is what we owe to ourselves; it is what we owe to the Government of the United States. If we can't let a contract to a responsible contractor without a threat of a general strike, to the lowest bidder, and a union plant at that, I would like to know what the country is coming to.

Mr. HILLMAN. I would say, Senator, that so far as the record of labor's cooperation with the national defense——

The CHAIRMAN (interposing). I am extremely favorable to the A. F. of L., and always have been.

Mr. HILLMAN. It is something the country can take a great deal of confidence in, and that still does not mean we ought to go ahead and get into things that may possibly make more trouble.

The CHAIRMAN. Who is the Government? Is the Government of the United States set up by the Constitution of the United States or is it A. F. of L. or C. I. O.?

Mr. HILLMAN. No.

The CHAIRMAN. Isn't that what is at stake?

Mr. HILLMAN. The Government of the United States is provided by the Constitution. People were elected last November and they are carrying through their administrative responsibilities. That places it in the hands of certain individuals; and if their individual judgments are wrong, they come and put it before you gentlemen and show that they can give their reasons for it.

The CHAIRMAN. Proceed with your statement, Mr. Hillman.

Mr. HILLMAN. I have covered nonunion contracts and prefabricated materials.

This is also fully understood by the officers of the A. F. of L., any claim to the contrary notwithstanding. A. F. of L. workers have worked on projects using prefabricated materials at Indian Head, Md.; Camden, N. J.; Rahway, N. J.; Champaign, Ill.; and at other places.

Mr. FULTON. Have the A. F. of L. ever refused to work on a prefabricated project? ¹

Mr. HILLMAN. I would say if they have refused I would have to look up the record. They would not get any support from the Government. We would not take their "no" for an answer.

Mr. FULTON. You don't know whether they have refused?

Mr. HILLMAN. I would have to look it up.

Mr. FULTON. Would you furnish us with that information? ¹

Mr. HILLMAN. I would be delighted to.

In fact, all Army cantonment construction involves the use of prefabrication methods, and the A. F. of L. will have no objection to working on prefabricated materials at Wayne or any other place.

The reason why the Government agencies dealt with the A. F. of L. is very simple. It was merely that the A. F. of L. building-trades group represented virtually all of organized labor in the construction industry. It was a matter of practical common sense for the agencies to make this choice.

Nevertheless, there is nothing in this agreement which prevents the Government agencies from awarding any contract to any employer, regardless of whether he operates under an A. F. of L. contract, a C. I. O. contract, or with a nonunion shop. There is nothing in this agreement which suggests that any particular union or group of unions are to have a monopoly of Government contracts. It is true that this agreement is applicable only to those projects where members of the American Federation of Labor are employed. But there is nothing which requires the Government to award contracts to A. F. of L. employers.

It is of the utmost importance that we should all understand this very clearly.

In this connection, the information supplied by the construction quartermaster is significant. It so happens that one contract only had been awarded by that agency to a contractor who employed any C. I. O. building-trades workers. That project was delayed and delayed again, until finally the Government as a last resort had to call on A. F. of L. workers to complete the job.

The reason I have told you so much about the stabilization agreement and the negotiations which brought it about is simply that we must all regard the stability of industrial relations and of labor conditions in the construction industry as vital to the success of the defense program.

Now, then, in this whole field of labor relations what is my duty? What is my special responsibility? As I have said at the outset, it is my function, among other things, to advise on labor policy as it relates to our national-defense effort. In carrying out my duties it is naturally a matter of grave concern to me as to whether the award of a particular defense contract tends to promote industrial accord or whether it may make for industrial disturbance. Sound labor and

¹ In this connection see letter from Richard J. Gray to Mr. Hillman, under date of October 31, 1941, which appears in the appendix on p. 2823.

sound procurement policies alike must take into consideration a wide variety of factors. Especially must they take into account the necessity for industrial peace, continuous production, and stable conditions of employment—all indispensable to the success of the defense program. Price cannot, and should not, be the sole factor in determining the award of Government contracts. In a statement of labor policy issued by the National Advisory Defense Commission in September 1940 it was made abundantly clear that other elements as well as price were to be taken into consideration. This statement of policy was deemed so important by the President that he made it the subject of a special message to Congress on September 13, 1940. This statement of policy was adopted also by O. P. M. shortly after its establishment.

Moreover, this whole problem has received special study and attention in recent months in our effort to bring about a wider distribution of defense contracts. In order to increase the participation of thousands of small employers in defense production the armed services and the O. P. M. developed a procedure by which such employers would receive special consideration, if necessary, in the placing of defense contracts. One of the special considerations under this procedure is an allowance above the lowest bid. If we are to insure the spreading of work which is so essential to our economy and to our program we cannot always be bound by the lowest bid, and we must, therefore, make exceptions when the interests of defense may require.

Further demonstration of this intention to spread work was evidenced by an Executive order issued by the President on September 4, 1941, wherein he set up a special Division of Contract Distribution with the direction that it shall—

formulate and promote modifications in Federal procurement practices and procedures relating to negotiating contracts, bidding practice, performance and bid bonds, and other practices and procedures, to the end that there shall be a wider distribution of defense contracts and purchases.

I should now like to discuss the Currier case in the light of these considerations. Of course, it has been discussed already. I shall not go into the details. Briefly, bids were received for construction of a housing project in Wayne, Mich. Mr. Currier's was the lowest bid, I am informed, by some \$200,000. That is what I am informed.

Shortly after the Currier bid was received, representatives of the building trades organization of the American Federation of Labor in Detroit requested the opportunity to appear before the board of review to make certain representations in regard to the Currier enterprises.

These representatives of the American Federation of Labor stated, as Mr. Currier himself has told you, that the Currier enterprises, except for a brief interval, had operated on a nonunion basis. That is to say, during virtually all the time that he has been in business, Mr. Currier had refused to enter into any contract with either the American Federation of Labor or C. I. O. unions.

Furthermore, these American Federation of Labor representatives from Detroit contended that on other occasions, Mr. Currier had been engaged in bitter controversy with the Teamsters' Union in Detroit regarding the organization of his truck drivers. On one of these occasions, violence occurred. As its result, Mr. Arthur Quesenberry,

a member of the Teamsters' Union, was killed on May 12, 1941. As a result thereof, all construction in Detroit, including several important defense construction projects, was at a standstill. There was grave fear that as a result of this dispute and violence and indignation against this killing, there would be a general trucking strike. Because of these fears, Governor Van Wagoner of Michigan personally intervened in an effort to prevent the spread of industrial disturbance. It required the greatest patience and persuasion and resourcefulness on the part of labor leaders and civic officials to allay the anger aroused by this killing.

All these facts indicated to the Labor Division that the experience of the Currier companies in their labor relations was such that serious consequences might result should this award be made to the Currier company.

Why should the entire community of Detroit be again subjected to further industrial warfare? If there were any doubt on this subject, why should not the benefit of the doubt be given to national defense and not to an individual contractor?

When such strife has once begun, it is like a forest fire. We could never tell where it might spread, or how difficult it might be to stop. A conflict of this sort might again involve the entire construction industry of Detroit, precipitating open combat. In view of previous violence, it was not inconceivable that physical flare-ups might again occur.

When such warfare begins and spreads it is sometimes difficult for responsible leaders to retain command of the situation. Irresponsible and uncooperative groups might seek to capitalize on such a situation and turn it into chaos.

Members of the board of review, under the construction agreement, went to Mr. Carmody and transmitted to him the facts which had come to their attention.

My own advice to Mr. Carmody was against making the award to Currier's company. This advice was based on my belief that the award would provoke union warfare between the building trades and the teamsters, on the one hand, and members of other labor organizations, on the other hand. There is little doubt that the A. F. of L. would have regarded the award to Currier's company as a threat to working standards and means of livelihood of A. F. of L. workers.

Senator BREWSTER. What do you base that on?

Mr. HILLMAN. Just my experience of 30 years in the labor movement, that is all.

Senator BREWSTER. Were their standards materially different?

Mr. HILLMAN. They say their standards are the same. I don't know. That is what they say. Senator, I think there are in Detroit—am I interrupting?

The CHAIRMAN. I just want to caution all witnesses that the respect due the Senate must be paid this committee.

Mr. HILLMAN. I certainly am desirous of that.

I believe that there are in the city of Detroit, as in many other cities, some people, a minority, who are just aching for fights, unfortunately, and when that starts you can't place the responsibility.

Senator BREWSTER. The difficulty which I find, Mr. Hillman, is under the precedent you are establishing in this case. I don't see

why practically the power of the Government in this whole procurement program wouldn't be transferred to your office. If at any time you said there was danger of strife here, instantly, everything else out the window. That is why I think it is such a dangerous precedent.

Mr. HILLMAN. Senator, my advice is only given; it does not have to be taken by the agency, if they don't want it.

Senator BREWSTER. You are here to defend your opinion. At the present time that opinion has prevailed. The contract has not been awarded. You are not a disciple of appeasement?

Mr. HILLMAN. Appeasement? No.

Senator BREWSTER. Now you are appeasing elements here who seem to us to be overreaching the Government. They are going to cost us \$200,000. Why? These C. I. O. people are perfectly good American citizens, as far as we know. Mr. Currier is still allowed to live and do business in this country and not allowed to participate in the defense contract. Why? You have a stabilization agreement with the American Federation of Labor which says they won't interfere with defense contracts, but they are certainly interfering with a defense contract here, and you, for fear that irresponsible elements, you say, may interfere, are going to lower your standard. Since when has America bended her knee to irresponsible elements?

Mr. HILLMAN. Senator, the record of the Labor Division of the O. P. M. is a public record, and that record will show that we have not been cowed by any of these elements.

Senator BREWSTER. You apparently are now.

Mr. HILLMAN. Just pardon me, but that does not mean going out all the time and looking for trouble, just because I believe, personally, that when we take a position, that position has to be sustained, regardless of whoever may oppose it, because Government must not be defied; I believe it becomes the people who have the responsibility to discharge it in connection with the national-defense program, not to try to provoke it. It is my judgment, Senator, just my judgment; it is my responsibility to give the best of my judgment. I am doing it.

Senator BREWSTER. It certainly is a very dangerous precedent. Finish your statement.

Mr. HILLMAN. My judgment was, and still is, against any award which would make for industrial strife. In our policy, defense must come first. We dare not gamble with defense. Any such award as was proposed in this case would have jeopardized the basic requirements of our defense program not merely in construction in Detroit but throughout that entire industrial area.

Senator BREWSTER. Suppose the C. I. O. should take the same position that you fear the A. F. of L. may, and say, "If you are not going to award this contract we are going to precipitate industrial strife." Where do you get?

Mr. HILLMAN. Gentlemen, my advice, of course, is not binding. I would like to have the record clear on that. It is just advice. In all the questions involved, in all the background I know about Detroit, and all that I am informed about our defense program, this is my best judgment, and if the Federal Works Agency believed that that judgment should not be taken, they don't have to take that advice. It is their responsibility.

Senator BREWSTER. What would be your attitude toward any elements that precipitated trouble?

Mr. HILLMAN. My attitude, Senator, would be to try to stop it after it started. I am trying in my responsibility not to permit it to start.

Mr. FULTON. Mr. Hillman, in order to clarify this situation somewhat, might I ask whether this advice of yours is in any way based on your doubt of the ability of the Carrier Lumber Co. to construct 300 houses, a company which informs me it has already constructed 960 houses?

Mr. HILLMAN. It doesn't come within my province. I would say that that is to be decided by the agencies that have got the responsibility for construction. It is not my job.

Mr. FULTON. And you haven't made any investigation as the result of which you have any doubt whatever?

Mr. HILLMAN. I am not interested. That is not my responsibility.

Mr. FULTON. The second thing would relate to the question of their employees. Have you any information from any source that they have any A. F. of L. employees or any employees who would not work on this project?

Mr. HILLMAN. I have no information. I haven't looked for it.

Mr. FULTON. So you have assumed they have got the ability and the organization with which to perform, or at least you are not interested.

Mr. HILLMAN. I am assuming that because I am not interested.

Mr. FULTON. If you were in the slightest degree interested, you would, of course, have investigated.

Mr. HILLMAN. It is not my responsibility. It is not within my jurisdiction, and we know enough not to meddle in the responsibilities of other Government agencies.

Mr. FULTON. So, that being so, any advice you have given has been on the assumption that it makes no difference whether they can perform it or whether any member of their organization would object in any way to working on it.

Mr. HILLMAN. It is purely what I fear may happen in labor relations in the national-defense question.

Mr. FULTON. That being so, we come to the question being solely whether the A. F. of L. would cause trouble; isn't that the sole question?

Mr. HILLMAN. Anyone can cause trouble. A group of people can cause trouble. My considered judgment is that the awarding of this contract may cause trouble.

Mr. FULTON. So the answer to my question would have been yes, would it not, that it is the A. F. of L., and only the A. F. of L., that you think might cause trouble?

Mr. HILLMAN. Not merely the A. F. of L. My judgment, my considered judgment, is that the matter may cause trouble and may spread and may make for bad feeling which will affect national defense; will affect it in many more ways than one.

Mr. FULTON. But the answer to the question that I asked was that if there is trouble, you are expecting it to start with the A. F. of L.

Mr. HILLMAN. I suppose so.

Senator BREWSTER. Mr. Hillman, how would you say that you had not created a monopoly in the construction industry under the

precedent you are establishing here for the American Federation of Labor?

Mr. HILLMAN. The record, sir, of one-third of the projects right now, in terms of numbers of orders, going to nonmembers of the American Federation of Labor in a field where the American Federation of Labor is very well organized; that record puts that before you, that there is no possible monopoly.

Senator BREWSTER. So your attitude in this case is rather localized to the Detroit area?

Mr. HILLMAN. To the particular situation; to the mood I know it involves. All of these things, Senator, are the question of the reaction of millions of people to the equities of the situation. They may be right or wrong.

Senator BREWSTER. I should say, Mr. Hillman, we had a Labor government, represented by you.

Mr. HILLMAN. I would say, Senator, I am trying to do the best I know how for national defense; and Senator, I have been criticized very, very frequently by labor groups, and I have followed what I believe is proper advice in national defense. I may make mistakes, of course.

Senator BREWSTER. You would eliminate any personal prejudice as far as you can.

Mr. HILLMAN. As far as personal prejudice is concerned, I am not a member of the American Federation of Labor.

Mr. FULTON. If you fear that the trouble is going to come from the A. F. of L., I am a little bit puzzled by the fact that in your stabilization agreement there is evidently a specific agreement that no such trouble is to occur. It says in here, and I believe you pointed with some pride to the provision, that the building and construction trades department of the American Federation of Labor agrees—and they agree with you in that case—“that there be no stoppage of work on account of jurisdictional disputes or for any other cause.” That being so, the trouble you are expecting is by reason of a definite violation of an express covenant made with you in this stabilization agreement, is it not?

Mr. HILLMAN. Gentlemen, no. Mr. Fulton, after all if this would come under the agreement then, of course, the Board would make the decision. This does not come under the agreement.

Mr. FULTON. Mr. Hillman, Mr. Carrier's contract doesn't come within the agreement, and neither do his employees, so they have nothing to do with it, but the trouble that you are talking about, namely, the possibility that the A. F. of L. will cause strikes somewhere else on defense industries, does come within this agreement and would be illegal under the terms of the agreement.

Mr. HILLMAN. Of course, construction is only ten billion out of over \$60,000,000,000 that you gentlemen have appropriated for national defense.

Mr. FULTON. But Mr. Hillman, can't you answer the question, I asked?

Mr. HILLMAN. I am not dodging it. I am being realistic.

Mr. FULTON. The question I asked, and I would appreciate it if you would be realistic enough to answer that, was: Is it not true that the construction that would be interfered with by the A. F. of L. would be construction which they agreed under no circumstances to stop?

Mr. HILLMAN. If they stopped work on projects covered by that, yes, that would be true, but there are other projects that are not covered by it.

Mr. FULTON. You mean nondefense projects?

Mr. HILLMAN. Defense projects where the A. F. of L. does not come under this contract.

Mr. FULTON. What are they?

Mr. HILLMAN. There are thirty projects right now, as I have told you, that don't come under that proposition.

Mr. FULTON. What are those projects? I don't mean to name them.

Mr. HILLMAN. Construction—I have read to you from the report from the Quartermaster General that out of 86, 30 are not operating under this contract.

Mr. FULTON. Which of those are in Detroit?

Mr. HILLMAN. I don't know of any.

Mr. FULTON. If there are none in Detroit, there are no projects which could be stopped in Detroit, which is where you are fearing this trouble, that would not be a violation of this agreement; is that right?

Mr. HILLMAN. I don't know. I would have to look over it and see whether there are any projects that the American Federation of Labor could stop, only if they chose to do so—and I am not speaking for them—whether it would or would not be in violation of the contract.

Mr. FULTON. But to date you haven't looked for that?

Mr. HILLMAN. No.

Mr. FULTON. The next question is, you were out in Seattle, as I understand it, and attended the convention, or part of it?

Mr. HILLMAN. That is right.

Mr. FULTON. Did anyone at that convention inform you of what the A. F. of L. had in mind doing here?

Mr. HILLMAN. No; I haven't discussed it with them. They were perturbed about what will happen.

Mr. FULTON. But it wasn't important enough for you to discuss it with them?

Mr. HILLMAN. Sir, I came there with a schedule that took me from 9 o'clock in the morning until midnight, every 15 minutes, visiting plants, and I didn't have the time to sit around and talk about that.

Mr. FULTON. And not even 5 minutes could be crowded in at any time during the day?

Mr. HILLMAN. I did not consider that that is the proposition. I consider that my advice is that that contract, for the best interests of national defense, should not be awarded.

Mr. FULTON. But did anyone who was at that convention, on behalf of the A. F. of L., who was from Detroit or anywhere else, tell you what they were going to do about this?

Mr. HILLMAN. I would not have to be told. I think I ought to know the labor situation fairly well.

Senator BREWSTER. His question was whether anyone did tell you.

Mr. HILLMAN. I would say that some people must have said, "There is going to be trouble," but I couldn't go ahead and identify them. Sure, lots of them told me.

Mr. FULTON. Couldn't you identify some of them?

Mr. HILLMAN. No.

Mr. FULTON. You couldn't remember any of them?

Mr. HILLMAN. I wouldn't want, under oath, to put in the names of people. I would say, of course, some people said, "Of course, this means trouble in Detroit."

Mr. FULTON. It couldn't have been any statement that they made or you would have occasion to remember it.

Mr. HILLMAN. Sir, this matter is so serious that because of my knowledge of the Detroit area before national defense and watching it through national defense, I know I don't have to inquire about it. I know it will mean trouble. That is my judgment, sir.

Mr. FULTON. But you don't remember anybody's telling you?

Mr. HILLMAN. I would not ask on a matter that I am quite well informed about from reports that I have received from my representatives and from discussion of the record with many people in Detroit and around it. I know that that is one spot we are watching. That is the one spot about which Mr. Knudsen called me time and again, and we sent out people—we called them at midnight, "Take a plane and go out to Detroit because there is trouble between these A. F. of L. and the C. I. O., in construction and the teamsters."

Mr. FULTON. When these men got up at midnight to go out to Detroit on a plane, did they talk to you about the A. F. of L. and tell you what they would do?

Mr. HILLMAN. Of course, but not in the Currier case. In the last year, in the last 6 months, I have a danger sign: Watch the teamster situation and construction in the Detroit area.

Mr. FULTON. You regard this as a very important point, first, to disregard the low bid? That is an important consideration even if you think it is not the only one?

Mr. HILLMAN. I would say that our whole policy, not merely our labor policy, would be out the window; the policy of making it possible for the small men to participate in national defense—and you gentlemen are giving consideration to that—as called for in the Executive order issued by the President on September 24, cannot be carried through if we would say they are chained to the low bid.

Mr. FULTON. Did you understand my question?

Mr. HILLMAN. Yes; I understand the question, that the low bid cannot be the sole consideration.

Mr. FULTON. That wasn't my question. I thought from your answer you might have completely misunderstood it. I asked you whether you did not think that price was, of course, an important consideration.

Mr. HILLMAN. No question about it. No question about it.

Mr. FULTON. And that being so, before you would take action in this matter, knowing you had the low price, I thought you would probably ask some of these men what their specific position on it was; and I take it you haven't asked any leader of any A. F. of L. craft union what his specific position on this is.

Mr. HILLMAN. It is my responsibility. I have arrived—

Mr. FULTON (interposing). The answer, I take it, is just "No."

Mr. HILLMAN. I have not asked because I consider that I am well informed on that proposition.

Mr. FULTON. And the answer is, again, just "No," one word.

Mr. HILLMAN. That is right.

Senator BREWSTER. Mr. Hillman, have you any information to lead you to doubt the capacity of Mr. Currier and the C. I. O. union to do this job apart from labor troubles by other unions or what you term irresponsible elements?

Mr. HILLMAN. No.

The CHAIRMAN. The committee, due to the lateness of the hour and the fact that this hearing room is engaged for this afternoon, will adjourn until 10:30 tomorrow morning, when we will ask the same witnesses to please return.

(Whereupon, at 12:35 p. m., the committee adjourned until 10:30 a. m., Thursday, October 23, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

THURSDAY, OCTOBER 23, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:38 a. m., pursuant to adjournment on Wednesday, October 22, 1941, in room 318, Senate Office Building, Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman, chairman; Ralph O. Brewster, and Joseph H. Ball.

Also present: Hugh A. Fulton, chief counsel.

The CHAIRMAN. The committee will come to order. Mr. Hillman, I believe you had some supplemental remarks you want to make at the start this morning.

TESTIMONY OF SIDNEY HILLMAN, ASSOCIATE DIRECTOR GENERAL, OFFICE OF PRODUCTION MANAGEMENT—Resumed

Mr. HILLMAN. Mr. Chairman, the questions put to me by your committee indicate that perhaps I didn't make a particular point as clear as I should have liked, and that is the matter of raiding, because that is all, in my judgment, that is involved here. I should like to make a very brief statement of 1 or 2 minutes on that subject.

In the present situation we find an employer who, by his own admission, has been antiunion during his entire business history. Suddenly we find him making a deal with a new organization that seeks to attack and destroy the existence of already well-established unions in the construction field—a field where these unions have been predominant for many years.

Now, what does this deal consist of? It involves——

Senator BREWSTER (interposing). On that point, Mr. Hillman, is it your contention that the existing organizations should be left in undisputed control?

Mr. HILLMAN. No, sir; I am just trying to bring out that this is a specific matter of what we call raiding. In other words, there are labor fields where there are labor organizations established: A. F. of L., C. I. O., Independent. And there we ought to take a position, a proper position, that it is none of our business what organization makes a contract.

I want to bring to your attention, and I think that is what troubled me, that I probably didn't make quite clear to you gentlemen that this judgment that I have exercised is because that is a particular kind of

situation that in my judgment is detrimental to our national defense effort, detrimental to labor, detrimental to industry, that it isn't a bona fide situation, that it is what we call a deal, not a collective-bargaining arrangement.

Senator BREWSTER. You challenge, then, the sincerity of this arrangement between Mr. Currier and the union?

Mr. HILLMAN. In my mind, Senator, there is no question that it has all the indications of a deal and not a bona fide agreement. Just think of it, Senator: Here is a company that has dealt with no unions, has fought unions, then it makes a closed-shop check-off contract, not for 1 year or for 2 years, but for the unusual term of 5 years. That is a conversion, you know, so quick and so rapid that it indicates something to me.

Senator BREWSTER. How do the rates compare, Mr. Hillman?

Mr. HILLMAN. I would like, gentlemen, for you to discuss that with members from Detroit.

Senator BREWSTER. Have you investigated it?

Mr. HILLMAN. No. I intend to. I have just arrived back; this is my third day in Washington.

Senator BREWSTER. Wouldn't that be extremely material as to whether or not the laboring people had got a more advantageous arrangement?

Mr. HILLMAN. It would, and I do not want—

Senator BREWSTER (interposing). Will you just examine that rate schedule which indicates apparently that the rates they are receiving are approximately 25 percent in excess of the Federation rates?

Mr. HILLMAN. I would like to check it.

Senator BREWSTER. What would be the significance of that?

Mr. HILLMAN. I would like to check that before I accept any of these statements.

Senator BREWSTER. Is that authenticated?

The CHAIRMAN. It is an authentic statement.

Mr. FULTON. That was furnished by Mr. Currier, who is here. Mr. Currier, is that an authentic rate sheet and comparison of employees in your plant with those of the A. F. of L. and working under the A. F. of L. agreement?

Mr. CURRIER.¹ Yes.

Mr. HILLMAN. Mr. Fulton, I—

Senator BREWSTER. Just a minute, Mr. Hillman! If that rate sheet which you have before you that indicates 25 percent higher rates than the Federation schedule is correct, what would be your conclusions from that?

Mr. HILLMAN. Senator, in view of the fact that I assume that this is a statement by Mr. Currier, and in view of the fact that it has just been brought to my attention, just taking the statement that he is under charges of having violated the Fair Labor Standards Act, I would like to look into it before I accept this even as a hypothetical question.

Senator BREWSTER. Even as a hypothetical question?

Mr. HILLMAN. I say, I would rather look into it. I mean that whole situation is so exceptional that I would not like to generalize on it.

¹ Mr. P. J. Currier, whose testimony appears, *supra*, pp. 2353-2366, and *infra*, pp. 2617-2628.

Senator BREWSTER. I think you can answer the question as to whether or not wage rates are a material matter in suggestions of this kind.

Mr. HILLMAN. I would say that if it is done for an ulterior purpose——

Senator BREWSTER (interposing). You mean if they increase wages for an ulterior purpose?

Mr. HILLMAN. I would like to look into a situation which has got all the earmarks of being out of the ordinary.

Senator BREWSTER. Well, Mr. Hillman, you are coming here to attack Mr. Currier and the good faith of this whole arrangement, and you now testify that you know nothing whatever regarding the wage rates of this thing. Are you equally ignorant regarding all the other details of the contract?

Mr. HILLMAN. I will just——

Senator BREWSTER. Are you?

Mr. HILLMAN. Senator, I have not seen the contract.

Senator BREWSTER. Then wouldn't you think, before you attack Mr. Currier in this way, it would be well for you to inform yourself as to the details of the labor arrangement, if you are concerned with the welfare of labor rather than the welfare of a particular group?

Mr. HILLMAN. Sir, I am taking the information given to me by representatives of the Detroit area. I take the action of both A. F. of L. and C. I. O. unions, official action, resenting this particular situation, and I shall read it into the record; and I certainly prefer that you gentlemen ask the people who have given me the information to state their case.

The CHAIRMAN. The whole case will be heard.

I was going to ask you there, though, if this Currier situation as it developed its sudden love for unions was not somewhat in the same category with Ford. You say that the 5-year contract was something unusual and out of line. What is the difference between that and the contract that Ford suddenly signed with organized labor?

Mr. HILLMAN. Sir, with Ford there was an election under the National Labor Relations Board, where the organization was authorized by a majority of the membership to sign a contract.

Mr. FULTON. Mr. Hillman——

Mr. HILLMAN. I am answering a question. May I?

The CHAIRMAN. That same procedure, as I understand it, was followed by Currier.

Mr. HILLMAN. I say my information is that it was not. There were months of negotiations by properly authorized people and committees representing the workers.

May I just read through that 2-minute statement?

Mr. FULTON. But on the point you just made, Mr. Hillman, have you any information that the A. F. of L. claims to have any representatives employed by the Currier organization?

Mr. HILLMAN. I have none. They would have to speak for themselves.

Mr. FULTON. They have spoken for themselves, have they not, in the inquest proceedings? Have you not read those proceedings?

Mr. HILLMAN. I have not read them.

Mr. FULTON. Have any men in your organization read them?

Mr. HILLMAN. They probably have, but I have not inquired.

Mr. FULTON. You referred to the death. You read the newspaper clippings, but did you not read the testimony—the sworn testimony?

Mr. HILLMAN. I have not.

Mr. FULTON. In that testimony, if you will read it, you will find there is no claim by the A. F. of L. that they have any members in this Currier organization, and that being so, there is certainly nothing in your point about an election; is there?

Mr. HILLMAN. I am just answering the question of the chairman as to the dissimilarity between this and the Ford Motor Co.

Mr. FULTON. But the dissimilarity doesn't exist if there is no claim that they have any representatives for which they have been able to ask for an election.

Mr. HILLMAN. You are just supporting me, Mr. Fulton, in my answer that there is dissimilarity.

Mr. FULTON. I am pointing out the difference you quoted has no bearing.

Mr. HILLMAN. I am answering a question put to me by the chairman as to what are the differences between the Ford Motor Co. and here. You are simply showing more things that are dissimilar.

The CHAIRMAN. Proceed. I can't see anything dissimilar, but proceed.

Mr. HILLMAN. This abnormal dealing suggests to me that such a contract for 5 years was not arrived at by normal collective bargaining between an employer and bona fide organization. On the contrary, we must infer that this arrangement was adopted by both parties for some ulterior purpose.

Now the aim of the United Construction Workers in this regard is quite clear. The member unions of the building-trades department of the American Federation of Labor, I am told, believe that their very existence is at stake, since the United Construction Workers is engaged in a deliberate effort to destroy them. One instance of this is found in the teamsters situation in Minneapolis where as part of a definite raiding campaign the United Construction Workers attempted to take over their locals in St. Paul. This, as you gentlemen know, happened within recent months and precipitated considerable strife in that area.

Now, this same organization, the United Construction Workers, has come to Detroit, and is trying to carry on the same disruptive kind of activity. It doesn't require any deep-seated knowledge of human beings or of organizations to understand the reaction of thousands of wage earners toward this sort of invasion. It is not unreasonable to suppose that they may take steps in self-defense to protect themselves against such attempts to break down the organizations of which they have been members for many years.

The building trades department of the A. F. of L. entered into this stabilization agreement with Government agencies in good faith. They have made, as I pointed out yesterday, substantial concessions. They have assumed responsibilities and obligations which they mean to discharge. Yet, at the same time, they observe raiding and predatory activities on the part of a newly formed organization. They believe that these activities would be condoned and aided by Government should an award be made to the Currier Co.

Gentlemen, please remember this situation is different from that which prevailed in shipbuilding or aircraft industries, where both the A. F. of L. and the C. I. O. have established organizations. In the present situation the A. F. of L. has been established and organized for years, whereas the United Construction Workers has had no established status whatsoever. Therefore, what we are confronted with here is an exceptional situation, and in the light of this fact, as I have testified, I felt obligated to advise Mr. Carmody.

All I can say is that such raiding tactics are fraught with the peril of bitter factional conflict. They are more serious than the so-called jurisdictional strikes between various unions affiliated with the same national organization.

My attitude on jurisdictional strikes of whatever kind has been made clearly known to several congressional committees. I condemn them. I assure you that the Labor Division of O. P. M. has done, and will continue to do, all in its power to prevent such industrial conflict. But of all types of jurisdictional disputes, the raiding activity involved in the Currier case constitutes the greatest danger to our defense program.

The President of the United States in a recent statement declared that

this is no time,

in his opinion,

for labor unions, local or national, to begin raiding one another for the purpose of getting membership or for similar reasons.

I have also been informed, but I do not know to my own knowledge, of certain alleged violations by Currier of the Fair Labor Standards Act, the Wagner Act, and of pending wage suits by former Currier workers. Although my own advice was not based on these facts, I assume that the committee intends to call upon others who are fully acquainted with Mr. Currier's labor record so that before your hearings are concluded the labor relations experience of this company will have been fully described to your committee.

May I also suggest that I am informed by Mr. E. L. Oliver—

The CHAIRMAN (interposing). For your information, Mr. Hillman, the information of this committee is full and complete on this matter, and when we get through with it, we will have a full and complete record, and we appreciate very highly your advice in the matter.

Mr. HILLMAN. Now, I have just returned in the last few days and I have made inquiries from the people who have handled the situation.

The CHAIRMAN. When you make specific charges like this, we would like you to file them with the committee so it may take such action as necessary.

Mr. HILLMAN. I have just this statement.

The CHAIRMAN. You say those are hearsay statements.

Mr. HILLMAN. Of certain alleged violations.

The CHAIRMAN. You are making those statements on hearsay. If you came back here for the purpose of making a charge against Currier, we have all these charges in the record and will have more of them. I think you have wasted the committee's time.

Mr. HILLMAN. I have tried to explain the question of raiding, that this is not a proposition of merely a jurisdictional squabble.

Mr. FULTON. And with your staff, it seems quite obvious if there are charges of this kind that you have a much larger staff than the committee and you ought to furnish the committee with detailed facts as you believe them to exist, so they can be checked further.

The CHAIRMAN. We will be glad to have those facts if you will submit those facts.

Mr. HILLMAN. One of the facts, I would like to submit to you. Mr. Oliver returned yesterday. He is Chief of the Labor Relations Branch of the Labor Division. He stated that Mr. Currier stated to him at the time he concluded his arrangement with the United Construction Workers he did not have a single member of that union in his plant. Neither was there any National Labor Relations Board election to determine whether or not those employees desired to belong to the Construction Workers' Union. Mr. Currier said he told his employees they should join a union; he was visited by a delegation from his company's social club; and upon that ground he made his deal with the Construction Workers' Union putting every employee in to that organization for a 5-year period.

May I also put in the record—

Senator BREWSTER (interposing). I take it that this has all developed to vindicate your anticipatory wisdom, as you never knew it when you made your earlier recommendation.

Mr. HILLMAN. Pardon me, I have tried to explain a little more because I thought from the questions asked me yesterday that I probably didn't make myself plain enough, so I am trying to make it a little plainer.

The CHAIRMAN. I think you made it plain.

Mr. HILLMAN. Here I want to submit to the record a clipping from the Detroit News as of yesterday:¹

C. I. O. Votes To Put End to Raiding. Council Hits at Own Organization—
and that council I take it represents all the C. I. O. workers, hundreds of thousands, in that area.

in a surprise move Tuesday night, the Detroit & Wayne County Industrial Union Council of the C. I. O. passed a resolution opposing raids by either A. F. L. or C. I. O. unions on plants where the employees are already organized and specifically deploring the action of the United Construction Workers, a C. I. O. union, in raiding the membership of the A. F. L.'s Teamsters' Union in the Detroit area.

Declaring that the national defense program "requires the greatest possible unity of the American people in order that Hitlerism can be wiped from the face of the earth," the Council went on record as:

"We oppose any attempt on the part of A. F. L. or C. I. O. unions to conduct jurisdictional raids in establishments where the employees are organized in legitimate trade unions.

"We oppose the hiring and use of gunmen, hoodlums and thugs by any labor organization.

"And we specifically deplore the attempt of the United Construction Workers (C. I. O.) to raid the Teamsters Union (A. F. L.) in the Detroit area."

To prevent any misunderstanding of the C. I. O.'s position * * *

and it confirms organizing the unorganized.

SLAP AT LEWIS

The C. I. O.'s action was interpreted by veteran C. I. O. leaders as a move toward peace with the A. F. of L., particularly the teamsters, in the Detroit

¹ Mr. Hillman subsequently submitted for the record an item from the Detroit Free Press which appears in the appendix on p. 2824.

area, and as an obvious slap in the face for John L. Lewis, former C. I. O. president, whose brother, A. D. Lewis, is the national head of the construction workers.

The resolution was introduced by the Leather Workers Local 96 and was passed by a large majority of the C. I. O. delegates present.

The antigun carrying part of the resolution voiced the overwhelming feeling of C. I. O. members in Detroit, it was pointed out, and was a further slap at the construction workers' union, four of whose organizers are now awaiting trial on charges of carrying concealed weapons as a result of their arrest after a fight with teamsters.

I would like that in the record.

Senator BREWSTER. Now, Mr. Hillman, do I understand from what you have earlier said that you have no information that any of Mr. Currier's employees were members of the American Federation of Labor?

Mr. HILLMAN. No, sir.

Senator BREWSTER. Then the suggestion of the resolution attacking raiding would not have any application to this situation, would it?

Mr. HILLMAN. The statement speaks for itself.

Senator BREWSTER. I am wondering what your application is to the Currier picture. If there were no members of the American Federation in the Currier organization, I don't see where the thing has any application.

Mr. HILLMAN. It says there:

We oppose and specifically deplore the attempt of the United Construction Workers (C. I. O.) to raid the Teamsters Union (A. F. L.) in Detroit.

Senator BREWSTER. What has that to do with Currier? What has it to do with Currier? Why are you bringing this here, Mr. Hillman?

Mr. HILLMAN. I am bringing it here to give you the kind of things that make my judgment.

Senator BREWSTER. What application has that thing to Currier?

Mr. HILLMAN. It is the application that this is a situation that in my judgment will provoke trouble in Detroit.

Senator BREWSTER. If the federation had no members in Currier, how can they take exception to the labor they are organizing?

Mr. HILLMAN. The C. I. O. in Detroit feels that way about it.

Senator BREWSTER. They don't say anything about Currier there.

Mr. HILLMAN. To me, with my experience, it spells it out, you know, as much as anything can be spelled out. I am just trying, Senator, if I may, to give you what I think you are entitled to, the reasons which compel my judgment in the situation. If it is a wrong judgment, well, of course, that is my best judgment.

Senator BREWSTER. Your fear is that the feeling which exists will be productive of trouble.

Mr. HILLMAN. Not merely the feeling—the question that people were convicted of carrying concealed weapons. It has all the earmarks of a fine kind of fight.

Senator BREWSTER. Were these people who were indicted for carrying concealed weapons employees of Mr. Currier?

Mr. HILLMAN. I know nothing—

Senator BREWSTER (interposing). Are they or not? You know nothing.

Mr. HILLMAN. Of course not. I am reading to you a statement in the Detroit News, a reputable newspaper, as I know, Senator.

Senator BREWSTER. The point is that it seems to me unfortunate that Mr. Currier is to be indicted here for the actions of people carrying guns unless they have some connection with Mr. Currier, and you say you don't know.

Mr. HILLMAN. But pardon me, Senator, my whole statement to you, the force of the statement yesterday and today, is that it is my responsibility to advise Government agencies in defense not to take steps that will make for industrial warfare.

Senator BREWSTER. Just a moment. Now, just answer my question. You have no information that the four gunmen were in any way connected with Mr. Currier; is that correct?

Mr. HILLMAN. I have no further information than what I have here.

Senator BREWSTER. Answer that question.

Mr. HILLMAN. I said "No" by stating it that way.

Senator BREWSTER. Just answer the question; that is all. You have no information that they were?

Mr. HILLMAN. No; I have no information.

Senator BREWSTER. And yet you are bringing that here to indict Mr. Currier.

Mr. HILLMAN. No, sir; I am bringing that here as a statement that it means trouble in the Detroit area.

Senator BREWSTER. Now, Mr. Hillman, have you had any complaints from other labor groups against your action in this case?

Mr. HILLMAN. I haven't received a single one that has been brought to my attention. Maybe there are some in the office. I am back only 3 days and I may find that.

Senator BREWSTER. Wouldn't your people bring those to your attention?

Mr. HILLMAN. I have been a busy man since I came back, with S. P. A. B. meetings and O. P. M. meetings, and the defense effort involves more than merely the Currier situation, I can assure you, sir.

Senator BREWSTER. Would it be a matter of concern to you if responsible labor groups, who are ready to sign their names, did protest against your action?

Mr. HILLMAN. It would be of concern to me, but I would explain to them the reasons for the position I have taken.

Senator BREWSTER. Here are a group of some 20 or 30 telegrams which this committee has received—Mr. Truman, the chairman—from labor groups protesting your action as extremely unfair. You say that you have no knowledge of any such complaints?

Mr. HILLMAN. I said that it has not been brought to my attention since I came back. I have hardly had an opportunity, Senator, to read the mail.

Senator BREWSTER. That would counterbalance to some extent your position that trouble might result if you awarded the contract to Currier.

Mr. HILLMAN. I would like to see where the groups come from and I would like to explain to them my position. Maybe they are judging just on their own statement.

Senator BREWSTER. The first one is from John L. Lewis. You would recognize him as a responsible labor leader, would you not?

Mr. HILLMAN. No question about it.

Senator BREWSTER. The second is from the president of the United Paper, Novelty, and Toy Workers.

Mr. HILLMAN. I think that would make very little trouble. I would like to explain the situation to them.

Senator BREWSTER. The next is from the president of the International Longshoremen's Union, H. R. Bridges. You are familiar with him?

Mr. HILLMAN. Yes; I am. [Laughter.] You mean that he does not like that? May I ask you this: Why doesn't Mr. Bridges invite them into San Francisco? I am simply saying, Senator, that if I had received that telegram, I would ask him why he doesn't invite the Construction Workers into San Francisco.

Senator BREWSTER. You would recognize, Mr. Hillman, Mr. Bridges' capacity for making trouble, wouldn't you?

Mr. HILLMAN. The record will speak for itself.

Senator BREWSTER. So that that would be very material on your line of labor peace.

Mr. HILLMAN. Oh, pardon me. Mr. Bridges could not get the following of labor in making trouble in that kind of situation.

Senator BREWSTER. Isn't he an irresponsible element?

Mr. HILLMAN. I have not—I don't believe, Senator, that I am called upon to qualify people that you call responsible or irresponsible; I don't think I ought to do it.

Senator BREWSTER. The next is from the international secretary-treasurer of the American Communication Association.

Mr. HILLMAN. What is that name?

Senator BREWSTER. Josephine Timms.

Mr. HILLMAN. I know her name.

Senator BREWSTER. I think——

Mr. HILLMAN (interposing). I think it is sufficient.

Senator BREWSTER. Now Mr. Hillman, you said yesterday that you felt the American Federation of Labor were entirely clear as to the fact that they did not have a monopoly under this stabilization agreement.

Mr. HILLMAN. Quite right.

Senator BREWSTER. You are quite clear about that?

Mr. HILLMAN. I have told them time and again.

Senator BREWSTER. So that you are sure there is no misapprehension on their part?

Mr. HILLMAN. There is no misapprehension that this agreement would give them a closed shop proposition.

Senator BREWSTER. I have in my hands the American Federation of Labor Weekly News Service, of Tuesday, September 30, announcing your coming appearance at Seattle in connection with the American Federation of Labor convention, which they said was of a very dramatic character, and I quote from that sheet, which would seem to be duly authorized:

In his annual report to the convention, President John P. Coyne is expected to emphasize the importance of the stabilization pact entered into by the

building and construction trades department with the Federal agencies in the defense field.

That is your stabilization agreement, I take it.

Mr. HILLMAN. Yes.

Senator BREWSTER (reading) :

Hillman, in his official position as twin head of the O. P. M., helped in the negotiation of this pact which gives the A. F. of L. unions a virtual closed shop on all defense construction projects.

I would like to have you comment on that, Mr. Hillman.

Mr. HILLMAN. I would say that the gentleman is very much mistaken. The statement that I have put in the record, that 30 contracts out of 80 are on an open-shop basis, contradicts it more than my statement, and my statement ought to be enough for it; and the chair may call Mr. Coyne, Mr. Bates, Mr. Gray who were the responsible groups negotiating the agreement, to find out whether there was any suggestion that this agreement gives them a closed shop, or whether I have not repeated time and again that this agreement does not provide for or against a closed shop.

Senator BREWSTER. Well, it is evident that the editors of the American Federation of Labor Weekly News Service, as informed by Mr. Coyne, didn't realize that 2 weeks ago.

Mr. HILLMAN. I am taking this opportunity to inform them, if they need that information. They should have had the information.

Senator BREWSTER. In your development of the attack on the United Construction Workers, you emphasized that the Federation of Labor did practically cover this construction field. There seemed to be implicit in your presentation the distinction between the ship workers and other trades and the construction trade—that the C. I. O. should not move into the construction field. Is that your position?

Mr. HILLMAN. It is, and Senator, of course I am prejudiced—

Senator BREWSTER (interposing). Just a minute. You said it is your position. Now, let me ask you further, if it is your position that the C. I. O. should not move into the construction field, why does that not put Government backing behind the control of that field which the Federation now enjoys?

Mr. HILLMAN. If you would, Senator, permit me to answer that question, you see, I take it you want the information and you want my state of mind on it. When I said it is, I spoke personally, because it is a matter of record, before the defense effort was started, that as vice president of the C. I. O. I opposed the C. I. O.'s going into the construction field. But I wanted to answer that, that I don't consider it my responsibility or that I have any power to exercise that personal judgment in a relationship as a Government representative.

Senator BREWSTER. So as a Government representative, you are not opposed to the C. I. O. organizing the construction trade?

Mr. HILLMAN. I have no business to either oppose or endorse it as a Government representative. It is none of my business, and I appreciate it.

Senator BREWSTER. And you are perfectly ready as a Government representative for the C. I. O. to proceed with organization of the United Construction Workers by proper means?

Mr. HILLMAN. That is their business. That is their freedom. I have no desire, I have no right to advise them one way or another. And there are places, if I may go on to say—I was in Los Angeles during my trip, and they told me that some of the construction workers are working on F. H. A. work, which is financed through Government agencies, and when some people in the A. F. of L. brought complaints about these things, I said, "Gentlemen, they have just as much right to work on the project as you or nonunion people." We do not lay down any rule as to who shall work. That is a matter of agreement between unions and employers. All I am stepping into, merely in an advisory capacity, is where I can see trouble ahead, interfering with national defense. That is all.

Senator BREWSTER. At what point is the organization in the Currier shop interfering in the Currier operation with the Federation?

Mr. HILLMAN. I don't know, Senator, and I have repeated time and again, I don't know the details of the Currier situation. I have put it on record many times, and if it is to be in the record, we can put it in a dozen more times if it is necessary.

Senator BREWSTER. I should dislike to be convicted by you, Mr. Hillman, on the basis of your information.

Mr. HILLMAN. I am not convicting. I am saying, and I would like to make it clear for the record, and I hope I have made myself clear, that I am not concerned with the merits of the Currier situation. I am concerned with trouble, industrial strife, in the Detroit area where there are millions and millions, hundreds of millions, maybe over a billion dollars of defense work that we need quickly, now, and I have no patience with spending our time trying to straighten out with Currier, with other organizations, and have our defense program stopped in the meantime. That is all that I consider my obligation.

Mr. FULTON. Mr. Hillman, how many men do you have in your O. P. M. Labor Division?

Mr. HILLMAN. I don't know. I hate to admit it, but I will supply you with the list.

Mr. FULTON. Can you come within a hundred?

Mr. HILLMAN. There are hundreds.

Mr. FULTON. How many hundreds, roughly?

Mr. HILLMAN. I would say probably, full-time, over 200; in advisory capacity and dollar-a-year, probably closer to a thousand.

Mr. FULTON. Before you relied on that newspaper clipping, how many of those hundreds did you have spend any time at all on this situation?

Mr. HILLMAN. Sir, this clipping was presented to me completely by an outsider; I don't know the gentleman. When I came here he saw me in the lobby and said, "Mr. Hillman, it may be of interest to you." It was of interest to me and I thought it might be of interest to your committee.

Mr. FULTON. So that it was accidental that you even had the newspaper clipping?

Mr. HILLMAN. Completely accidental. It was just that a gentleman in this hall—I couldn't locate him right now—gave me this while we were waiting before the doors were open, that is all.

Mr. FULTON. With respect to whatever action you or anyone in your Division did take, how many people have done anything on this Carrier situation in your office?

Mr. HILLMAN. A number of people. I did not have the time because of the accumulation of work from my 3 weeks' absence—I had to give all the time to the O. P. M. meetings on the day before yesterday, S. P. A. B. today, a conference in the White House the day before yesterday. I canceled a conference in the White House yesterday because I wanted to be sure to have all the time necessary to give to this committee.

Mr. FULTON. And those related to this no-strike policy that we read about in yesterday's papers?

Mr. HILLMAN. How is that?

Mr. FULTON. Those related to the no-strike policy that you made a release on yesterday?

Mr. HILLMAN. The no-strike?

Mr. FULTON. Yes; the policy of not interfering with defense production.

Mr. HILLMAN. Oh, yes; that was done day before yesterday, and a number of other things.

Mr. FULTON. Can you remember the names of any people in your organization who gave you any information on this Carrier case?

Mr. HILLMAN. Mr. E. L. Oliver, the head of my Labor Relations Division.

Mr. FULTON. Had Mr. Oliver gone to Detroit?

Mr. HILLMAN. Oh, yes; several times; not in connection with this, but I mean he has been in Detroit so often that he knows Detroit. And Mr. Joe Keenan.

Mr. FULTON. Let's take Mr. Oliver first. Did Mr. Oliver give you the names of the people that he had talked with about this Carrier situation?

Mr. HILLMAN. I haven't asked him for the names. I have asked for his information, and he knows Detroit and I know Detroit better than he does.

Mr. FULTON. Did he give you a written report?

Mr. HILLMAN. There was no opportunity. This is the only thing that he gave me, and I said, "Will you put it in writing?"—what I read to you.

Mr. FULTON. So far as you know, did he talk with any man on behalf of the A. F. of L. concerning what they specifically would do?

Mr. HILLMAN. I wouldn't know.

Mr. FULTON. You didn't ask him?

Mr. HILLMAN. Mr. Joe Keenan surely did.

Mr. FULTON. But you didn't ask Mr. Oliver whether he did?

Mr. HILLMAN. I didn't have a chance. He was out of town until this morning. He came in this morning. I think he was in Kansas City yesterday.

Mr. FULTON. Now, taking up Mr. Keenan; did Mr. Keenan tell you he had talked with anybody?

Mr. HILLMAN. That is right. He talked with the A. F. of L. I said, "How is it?"

He said, "I have talked to many of them. I have talked to the building trades and I have talked to the teamsters."

Mr. FULTON. Specifically, how many did he talk to?

Mr. HILLMAN. He told me he talked to the head of the building-trades organization. I couldn't remember his name.

Mr. FULTON. Mr. Thal?

Mr. HILLMAN. That must have been it, and Mr. Roe from the Teamsters Union.

Mr. FULTON. What did he tell you those two gentlemen told him?

Mr. HILLMAN. I asked him, "Joe, have you been quite clear in your mind that this situation means trouble in the Detroit area?" and he said, "Yes; I have talked to the building trades, I have talked to the teamsters, and I can assure you it would mean a great deal of trouble." Of course, it is something that I knew myself.

Mr. FULTON. And that was the end of the conversation?

Mr. HILLMAN. I mean, you get to know these people before they get into the office. There isn't too much time to give to anybody.

Mr. FULTON. Mr. Hillman, when people tell you personally that they are going to cause you trouble, don't you usually ask what trouble and how and why and where?

Mr. HILLMAN. The situations that I am supposed to be an expert on—I may not be, but that is what I am supposed to be. I don't ask for too many details, because, frankly, it is my responsibility, and I am just trying to check it with them, and I haven't got the time to go into too many details unless I feel I must have the details.

Mr. FULTON. You knew, of course, that you were coming before this committee.

Mr. HILLMAN. Well, I have given that statement to you gentlemen.

Mr. FULTON. Now, Mr. Hillman, is it your opinion that the greatest expert in the world can act on a matter that he doesn't know the facts about? For example, can a doctor, no matter how able he is, give you a prescription for an illness without going into a few of these details?

Mr. HILLMAN. I don't like to say it, but you put me in a position, if I were to advise you on law, see, to feel that you know. I don't. I know just—

Mr. FULTON (interposing). I know enough about law never to give advice based on my experience without looking at the individual facts.

Mr. HILLMAN. I know industrial relations.

Mr. FULTON. And you feel that it differs from law in that the detail is wholly unimportant.

Mr. HILLMAN. I know one thing—that I have been putting in over 30 years to get at details of labor relations. You have to define to me what are your facts. Your facts may be just that. [Pointing to a document quoting wage rates.] To me it wouldn't mean much. I have to get a great deal more before I would even dignify it by saying that is a factual statement. That is my experience.

Mr. FULTON. Then have you set the machinery at work to get a great deal more? What instructions have you issued to get any facts in this case, Mr. Hillman?

Mr. HILLMAN. The facts to me would be what I have.

Mr. FULTON. Which admittedly are not facts, because you say you haven't got the facts.

Mr. HILLMAN. You are dealing, Mr. Fulton, in a field of attitudes. That is what labor is; that is what labor relations are. They are not

facts. Facts to a union manufacturer are different than to a fellow who is prejudiced against unions. You are dealing with attitudes, states of mind.

Mr. FULTON. All right. Now, let's take attitudes and states of mind. That is what I asked you. Wait, Mr. Hillman; let's use your own statement there. Attitudes: Do you know the attitude of Mr. Ed Thal; and, if so, what is his position, his specific attitude, on this matter?

Mr. HILLMAN. I haven't talked to Mr. Ed Thal.

Mr. FULTON. Have you talked with anybody who has?

Mr. HILLMAN. I would say, you know, that when I am taking an attitude in a community, that does not mean that I talk to a man. I am sorry. It is the kind of thing that people in the labor-relations field would not think of approaching that way, and there are people here in this room, many of them not of labor, who are in the industrial field, who, with all my apologies, wouldn't put to me these questions because they know that it is completely irrelevant.

Senator BREWSTER. Mr. Hillman, you didn't get even the wage comparison. We had always thought that labor was primarily concerned with wages, but I understand you now that you didn't even inform yourself about the wage situation.

Mr. HILLMAN. Senator, lots of companies have raised wages in order to keep people out of unions, but didn't succeed. It is not merely an attitude of wages.

Senator BREWSTER. Here, apparently, is the C. I. O. union, secured by the 25-percent advantage over the A. F. of L. union. Now, is that material?

Mr. HILLMAN. I have answered that—tried to answer that question—that a number of employers trying to keep out their workers from unions have raised wages and have not succeeded, because—

Senator BREWSTER (interposing). Well, you said "have not succeeded" in keeping out the union. Mr. Currier has a union, so that the union would seem to have done a good job.

Mr. HILLMAN. I haven't investigated.

Senator BREWSTER. You haven't investigated?

Mr. HILLMAN. No. Just the indications are not what I would consider according to Hoyle. That is all.

The CHAIRMAN. That will be all, Mr. Hillman.

Mr. Lewis, you haven't been sworn by this committee, have you? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LEWIS. I do.

The CHAIRMAN. Be seated, Mr. Lewis, and give your name and connections to the reporter, please.

TESTIMONY OF A. D. LEWIS, CHAIRMAN, UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE

Mr. LEWIS. My name is A. D. Lewis. I am chairman of the United Construction Workers Organizing Committee by authority of the executive officers of the Congress of Industrial Organizations.

The CHAIRMAN. You had a statement you wanted to make to this committee, I believe, Mr. Lewis.

Mr. LEWIS. I do.

The CHAIRMAN. Proceed.

Mr. LEWIS. But just prior to reading my prepared statement, in order to advise the committee of the feeling of the Congress of Industrial Organizations with regard to the controversy just now raging concerning the Currier Lumber Co., I want to read a telegram that was sent to me this morning by Mr. Allen S. Haywood, director of organizations of the Congress of Industrial Organizations.

A. D. LEWIS :

Regardless of the action of any subordinate branch of the C. I. O., the C. I. O. is firmly behind the United Construction Workers Organizing Committee, and supporting it in its right to work on contracts let by the Government, and to function as a bona fide labor organization.

ALLEN S. HAYWOOD,

Director of Organizations, Congress of Industrial Organizations.

I might also at this time refer to a telegram—I do not have a copy of it with me—in order to further advise the committee of the attitude of the C. I. O. workers in the Detroit area, which telegram was sent by Mr. R. J. Thomas, president of the United Automobile Workers, C. I. O., to President Roosevelt and to John M. Carmody, Administrator of the F. W. A., in the last 2 or 3 days, I have forgotten just what date it was now, in which he requested the President of the United States to take action and to insist that the law be obeyed in the letting or awarding of contracts by the F. W. A. and referred specifically to the Currier matter, and insisted that the United Automobile Workers of America as a whole was requesting him to take favorable action in the awarding of this contract to the Currier Lumber Co.

I will proceed now with my prepared statement.

It is my understanding that this hearing was called to obtain from Mr. Sidney Hillman, Associate Director of the Office of Production Management, an answer to Senator Truman's question as to whether that Government agency unduly favors the American Federation of Labor as a matter of national policy. I believe that I can best contribute to the committee's information on this point by relating what I know from actual experience has been the effect of O. P. M. policy in the construction industry, especially in relation to defense projects.

On the basis of this experience, I am prepared to charge that O. P. M.'s labor policy directed by Mr. Hillman has operated in a manner to discriminate against all workers who do not belong to A. F. L. building-trades unions. Mr. Hillman's labor division of the O. P. M. has intervened directly with the contracting agencies of the Government to enforce compliance with A. F. L. demands to the detriment of other unions. Mr. Hillman's office has acted, in effect, as a recruiting agency for the A. F. L. in connection with defense projects.

This situation is best illustrated by the so-called stabilization agreement which was negotiated by Mr. Hillman for O. P. M. with the building-trades department of the American Federation of Labor. The United Construction Workers Organizing Committee, C. I. O., affiliate for the construction industry, was excluded from the conferences leading to this agreement. The U. C. W. O. C. was not permitted at any time to participate in any way in this stabilization program. Our first information about it came from the press, which

reported Mr. Hillman's remark that he would negotiate with the dominant union organization in the industry. Subsequently, we saw it referred to in various A. F. L. publications as establishing an effective monopoly on all defense construction for A. F. L. building-trades unions.

At this point I wish to insert into the record the American Federation of Labor's clippingsheet of Tuesday, September 30, which mentions—

Senator BREWSTER (interposing). That has already been put in the record, Mr. Lewis; that was put in the record a little earlier.

Mr. LEWIS. All right.

Under date of July 16, 1941, I wrote Mr. Hillman requesting information about this stabilization agreement and inquiring why he was discriminating against the C. I. O. by excluding its affiliate for this industry from the conferences. I called his attention to action by the C. I. O. executive board, which was supported by the Amalgamated Clothing Workers, Mr. Hillman's own union, giving complete endorsement to the organization of the workers in the construction industry by the U. C. W. O. C. In reply, on July 24, I believe, Mr. Hillman advised me only that the agreement—

was arrived at in a manner deemed most conducive to the attainment of the aforesaid ends sought to be achieved by this stabilization agreement.

He enclosed a copy of the agreement and said it merited support.

I am presenting for the record here my letter to Mr. Hillman and a copy of Mr. Hillman's reply and a copy of a letter transmitting this correspondence between Mr. Hillman and myself to the executive officers of the C. I. O. unions throughout the United States.

The CHAIRMAN. That will be inserted in the record at this point. Proceed.

(The letters referred to were marked "Exhibits Nos. 126, 127, and 128" and are included in the appendix on pp. 2730 and 2731.)

Mr. LEWIS. Thereupon, on July 18, I communicated with the C. I. O. affiliates advising them of the secrecy surrounding the negotiations, of the exclusion of the C. I. O.'s affiliate, and of the monopolistic nature of the agreement with the A. F. of L. Subsequent experience under the stabilization agreement confirmed my belief that its intent was to assure a closed-shop arrangement for the A. F. of L. on all Government defense construction projects. The actual wording of the document is secondary to the manner in which it is interpreted by the O. P. M. and the A. F. of L., who have a perfect accord on this subject.

Our first experience came in the incident involving the Blaw-Knox Co., Pittsburgh steel firm, which had an important Navy contract that required purchase and reconditioning of a steel mill at Martins Ferry, Ohio. Incidentally, this firm employs and has harmonious relationships with 3,500 C. I. O. members in its main steel mill near Pittsburgh.

Because of the speed required and many changes in plans, Blaw-Knox determined to do the renovating work at Martins Ferry itself rather than call for bids from outside contractors. It put to work 300 U. C. W. O. C. members at Martins Ferry, and the work went ahead.

Then came the A. F. of L. and the O. P. M.

Blaw-Knox got a summons to Washington, where Joe Keenan, A. F. of L. official, now with Sidney Hillman's O. P. M. office, waved the so-called stabilization agreement for the construction industry at

them and demanded they fire the U. C. W. O. C. workers and replace them with A. F. of L. mechanics.

This was the first astonished Blaw-Knox officials had ever heard of the stabilization agreement, and they quickly pointed out their contract with the Navy said nothing about what union their workers should join.

But this didn't bother Keenan. He pointed to a clause of the stabilization agreement that says subcontractors shall be used where practical. This meant, he said, that Blaw-Knox had to stop the work it was already doing and get bids from subcontractors. The fact that the work was proceeding with speed and economy under Blaw-Knox own direction was waved aside by Keenan.

It was also made clear to Keenan that the U. C. W. O. C. workers were local residents of Martins Ferry, while if the job went A. F. of L. it would mean displacing them for men from outside. Further, the ouster of these U. C. W. O. C. members, it was argued, would antagonize the C. I. O. men with whom Blaw-Knox had good relations over a period of years. That such high-handed action would cause ill-feeling in the community was also shown by Mayor Wood's stout defense of the U. C. W. O. C.'s right to work in the plant.

At this point things began to get a little complicated even for O. P. M., so a board of review was solemnly named to try and pull Keenan's A. F. of L. chestnuts out of the fire. The board agreed that the U. C. W. O. C. members at work should be let alone, but that as much other work as possible should be subcontracted.

And, the board held, bids should be received only from A. F. of L. subcontractors. Two U. C. W. O. C. contractors with whom Blaw-Knox desired to do business were advised it was useless for them to submit bids.

I submit for the record a copy of the decision of the O. P. M. board of review which mentions by name various A. F. of L. unions with whom the Blaw-Knox Co. was told it must do business—or else. It is my understanding the firm was advised its Navy contract might go elsewhere if it did not heed O. P. M.'s edict that it subcontract to A. F. of L. contractors.

(The copy of decision referred to was marked "Exhibit No. 129" and is included in the appendix on p. 2731.)

Mr. LEWIS. I am going to read extracts from the agreement.

Senator BREWSTER. You mean the agreement, or the decision?

Mr. LEWIS. The decision; pardon me, the decision of the board of review.

It is listed as an agreement between the board of review and the Blaw-Knox Co. [Reading from "Exhibit No. 129":]

As a result of deliberation by the United States Department of Labor and O. P. M. representatives, Messrs. John E. Addicks, James P. Mehan, and R. Conrad Cooper, suggestions were made to solve existing problems in the Martins Ferry Division of Blaw-Knox Co.; which threatens suspension of work on this vital defense project, in the following manner:

1. The Blaw-Knox Co. will, within 5 days, suspend work by its employees on all parts of the project defined as "new construction".

2. Blaw-Knox Co. will continue to do its maintenance and production work with its own employees, known as production and maintenance workers.

3. The Blaw-Knox Co. will, as promptly as possible, subcontract this so-called new construction work, such subcontracts to specify union labor in accordance with the national agreement. Memorandum of agreement between the represen-

tatives of the Government agencies, engaged in defense construction and the building and construction trades department of the American Federation of Labor.

4. The so-called new construction work will be defined as follows:

The agreement then goes on to define the classification of work which must be done by A. F. of L. contractors and members: Iron workers, carpenter workers, electrical workers, truck drivers, asbestos workers, bricklayers, roof workers, engineers, painters, plumbing, steam and gas fitting local No. 83, boilermakers, cement finishers, and laborers. [Continuing reading:]

As soon as each part of the so-called new construction is completed by the subcontractors, such buildings, machines, and so forth, will be turned over to the Blaw-Knox Co., to be maintained and operated by employees of the Blaw-Knox Co.

The above suggestions were found acceptable to all representatives and accepted as a fair basis on which to receive the problem.

Additional representatives present were as follows:

For the Blaw-Knox Co.: L. E. Joseph, vice president; N. B. Ornitz, vice president; L. C. Edgar, general superintendent.

For the Building and Construction Trades Council of Wheeling and Vicinity: Lawrence Witzberger, president, also representing the plumbers and steam fitters; Ralph Watson, vice president, also representing carpenters Patrick O'Malley, regional structural iron workers; S. S. Gould, representing electrical workers; N. R. Plumby, representing cement finishers; Ross Keffer, representing the painters; Joseph Larey, representing the teamsters.

This particular contract was let to the Blaw-Knox Co., which operates in the dual capacity of manufacturing and fabricating steel, as well as being a subsidiary of the company which operates as a construction company to do construction work in their own plants, and at the same time to do outside work where they are able to bid upon the jobs. However, the company was granted the contract by the Navy and was prohibited from completing the contract in the manner in which they contemplated when the contract was let, through the efforts of the Board of Review and the American Federation of Labor, and under the agreement consummated between Mr. Hillman and the building trades department of the American Federation of Labor.

Thus, the firm was forced to subcontract this work to A. F. of L. contractors despite the fact that it will take from 3 to 6 months longer and cost upward of twice as much, according to officials of Blaw-Knox Co.

The CHAIRMAN. The Navy informs us that the Blaw-Knox Co. estimates the labor cost will be increased by \$97,494; that such an increase will actually result is debatable; so the signer of the letter from the Navy says.

Mr. LEWIS. The estimates——

The CHAIRMAN (interposing). The Navy takes no position on it, as usual.

Mr. LEWIS. I am giving you what is given to our people by the Blaw-Knox officials.

Then came the case of the Currier Lumber Co. and its extremely low bid on a 300-unit defense housing project at Wayne, Mich. I believe it is unnecessary for me to consume the committee's time by reciting the facts in the Currier episode since you have already heard testimony from Federal Works Administrator John M. Carmody and Patrick J. Currier, the contractor. However, I shall file for the record a review of the case which I have sent to all C. I. O. affiliates.

My letter to the C. I. O. affiliates of October 13, giving a review and history of the Currier case incident——

The CHAIRMAN (interposing). It is all right; it will be made a part of the record at this point.

(The letter referred to was marked "Exhibit No. 130" and is included in the appendix on p. 2732.)

Within the last few days there has also come to light a somewhat similar episode at Camp Chaffee, Ark., where members of the U. C. W. O. C. and local residents of the community are excluded from employment while the A. F. of L. imports workers from other States. The contractor's representative in this instance states that he signed the A. F. of L. closed-shop agreement because of his understanding that the O. P. M. stabilization agreement required him to do so. Some 1,500 families were evacuated from the camp site and who have not yet been paid for their homes are living in destitution while promised jobs on the camp go to outsiders imported by the A. F. of L. Here again, A. F. of L. representatives boldly asserted in public addresses and otherwise that the O. P. M. agreement meant that they were to do all defense construction.

Mr. FULTON. Mr. Lewis, the Army informs us that they very definitely did not take the position that it was a closed shop. They wouldn't know what the contractor may have thought, but the Army has never taken the position that the stabilization agreement requires closed shop.

Mr. LEWIS. Mr. Fulton, it is practically an impossibility for me to keep up with the Army on that, because I think you are familiar with the attitude of the Army and the A. F. of L. when it took in the TNT plant at St. Louis. The policy was changed locally and nationally two or three different times on that particular project.

The CHAIRMAN. That is true. Proceed with your statement. That is absolutely true about that St. Louis situation. You are at the top of page 5, the first paragraph on page 5.

Mr. LEWIS. At this time, in connection with the Camp Chaffee case, I wish to insert for the record a message on United States defense policies by President Roosevelt, in which he states:

As far as possible, local employment and other agencies designated by the United States Employment Service should be utilized.

These incidents, I believe, substantially demonstrate that the effect of this stabilization agreement is to establish a monopoly for the A. F. of L. building trades on defense construction. So far as I am aware, the O. P. M. has never repudiated this interpretation of the agreement except by a few half-hearted and off-the-record denials to newspapermen. I challenge Mr. Hillman to deny that this agreement is not what I have shown that it is—a virtual monopoly for the A. F. of L. on all defense construction. It is, in fact, nothing more nor less than an unlawful conspiracy to use the powers of government on behalf of one branch of labor against another. It is the rankest sort of discrimination against anyone who refuses to pay tribute to the building-trades unions of the A. F. of L.

Senator BREWSTER. You have heard Mr. Hillman's statement here to us which does constitute a categorical denial.

Mr. LEWIS. Not in my opinion, Senator. It is not a denial that will stand up.

It appears to me also that this policy established by Mr. Hillman and the O. P. M. usurps the prerogatives of the legislative branch of the Government and in effect rewrites and reverses a labor policy which has been established by Congress in the National Labor Relations Act and other laws. It certainly adds a new and sweeping clause to the Bacon-Davis Act, which governs Government construction projects by requiring that all such projects shall be done by A. F. of L. labor.

It is evident that certain officials of the Office of Production Management have accepted a rather strange doctrine to the general effect that workers in certain industries "belong" to certain labor groups regardless of their own wishes.

It is under the influence of this theory that Sidney Hillman's Labor Division put forward its so-called stabilization agreement for the construction industry. This is little more than a barefaced attempt to assure that all defense construction work shall be monopolized by A. F. of L. contractors and unions.

As explained sub rosa by some defense officials, this agreement is projected on the basis of conceding to the A. F. of L. building-trades unions jurisdiction over the construction industry. The officials blandly claim that A. F. of L. has agreed to remain outside automobiles, steel, and other basic industries.

The U. C. W. O. C. rejects this type of thinking. It does not believe that the workers in any industry belong to anybody except themselves. The workers are the ones who have the right to determine their own union affiliation. It is not for some bureaucrat in Washington to decide for them what union they shall join. Such action is completely contrary to the policy set forth by the National Labor Relations Act.

If private employers use coercion to force their employees into a union, the employers are rightly held to be in violation of the Wagner Act, which guarantees the worker protection in making his own free choice. Why should the Government, then, itself pursue a policy of coercion that it brands as illegal when practiced by private employers?

Furthermore, common sense dictates that nobody in Government can divide industry into segments and make a binding agreement that A. F. of L. shall have this section and C. I. O. that section. Such a proposal, if openly stated, would be solidly rejected by the workers as being a new form of slavery. Free American labor will never permit Hillman or any other Government official in Washington to forbid them joining the union they themselves choose.

This attempt by Hillman to fasten the craft union strangle hold on workers in the construction industry is simply a new version of A. F. of L. jurisdictional claims that were exploded long ago by the C. I. O. There was a time when A. F. of L. unions claimed jurisdiction over all workers, organized or unorganized, in the basic industries that are now organized by the C. I. O. It sabotaged and fought C. I. O. organization of autos, steel, rubber, and so forth, and still does to some extent. Now it falls back on the specious plea that workers in the construction industry are its property.

The notorious record of the building-trades unions of the A. F. of L. is a matter of record. It has failed the workers of this industry, just as badly as it failed the workers of the basic industries. Prior to the C. I. O., for a half century, the A. F. of L. has had no competition and as a result it became indifferent and corrupt.

Instead of fighting on the workers' behalf, it chose the easy way of backdoor agreements, kick-backs, political deals, and similar shady devices. It lost the confidence of the Nation's workers.

The C. I. O. challenged all this in the mass industries and now challenges it in the construction industry. It is a strange and disturbing spectacle to find the O. P. M. lending itself to this latest A. F. of L. effort to maintain its monopoly on the construction workers of the Nation.

While the O. P. M. and A. F. of L. are working hand in glove to obtain a monopoly of all construction jobs it should be noted that among the Nation's largest industries, building construction is one of the most poorly organized. A. F. of L. is attempting to have the O. P. M. do the organizing job that it was unable to do itself. Of 3,000,000 workers in this industry, far less than a million are members of unions. I should like to cite the testimony by D. W. Tracy, now Assistant Secretary of the Department of Labor, and president of the International Brotherhood of Electrical Workers, an A. F. of L. affiliate, before the Temporary National Economic Committee, where he admitted that residential construction especially is largely nonunion. I quote Mr. Tracy:

Now, as close as we could figure it in these United States, 90 percent of the small homes throughout this country are erected and equipped by workers not members of any labor organization; 90 percent is done by nonunion people.

Here we have the leader of one of the most powerful A. F. of L. unions admitting that it has never organized more than 10 percent of the workers on residential construction and yet it has the audacity to ask the Government to give it a 100-percent monopoly on this type of building when it is financed by the Government.

Large segments of the construction industry are almost entirely outside of the union fold. In addition to residential construction which is almost entirely a nonunion proposition, most of the heavy construction, such as roads, dams, railroads, aqueducts, and so forth, are on an open-shop basis. In fact, were it not for the building program of the Government and political alliances entered into by the building trades unions of the A. F. of L., it would be hard for them to maintain their organizations at all.

I cite as further proof of the failure of the A. F. of L. to organize, the widespread publicity in connection with initiation fees being charged workers on Government projects at the present time. If these men were already members of the A. F. of L., it would not be necessary for them to pay initiation fees for them to join.

At this point I would like to refer to a news story printed some—I do not have a copy of it now—months, a month or two ago by the New York Times, exposing the so-called take on the Fort Meade job just outside of Washington, in Maryland.

If my memory serves me correctly, the New York Times at that time reported the take as being in excess of some \$400,000 in initiation fees from the sixty-some-thousand men who were employed on the job.

The CHAIRMAN. The committee has that whole situation under observation right now, and is going into the details of the matter to which you refer.

Mr. LEWIS. Thank you.

The Nation's taxpayers have an important stake in this matter and their interests are also betrayed by the O. P. M.-A. F. of L. collusion. On the single Currier contract alone it will cost the Government between a quarter million and a half million dollars more if O. P. M.'s advice is accepted by the Federal Works Agency. The craft union's long-standing opposition to modern technics of production, such as are utilized by Currier and other progressive firms, has kept the construction of small homes lagging far behind the people's needs for many years. Why should the Government subsidize a system of construction that is costing millions more for defense projects and which has retarded the industry for generations? Why is not this a good time—a time when maximum speed and efficiency are vital—to place the construction industry on a par with the other modern industries of America? Why does the Government attempt to hold back the hands of the clock?

It has been argued in defense of O. P. M.'s policy that it seeks to preserve peace in the construction industry. It is frankly set forth that this monopoly to the A. F. of L. is in the nature of a bribe to keep the squabbling craft unions from striking defense projects. Even if it did bring about this result, it would be indefensible on fundamental grounds, but the fact is that it has itself been the source of disputes. Soon after it was announced, there were several strikes in protest of its provision waiving double time for overtime. Other building-trades strikes have continued with regularity and are daily reported in the press despite the solemn pledges of the building-trades department of the American Federation of Labor. It has also served to create disputes between A. F. of L. and C. I. O. as in the Martin's Ferry case where all was harmony until the O. P. M. intervened with its high-handed scheme to throw 300 local men out of work and replace them with imported A. F. of L. members. Here was a case where the O. P. M. made two labor disputes grow where none grew before.

Another serious objection to this extraordinary policy is the manner in which it discriminates against local labor in the communities of defense projects. In few instances, if any, has the A. F. L. the number of members in the community required to complete the big projects. That is because they have failed to organize the industry all these years, preferring instead to exploit it. So, when one of these big jobs comes along the A. F. L. finds itself with only a handful of members. It then sends out word over the country and rounds up workers from other States many miles removed from the site of the project. Local men who seek employment are required to pay initiation fees, work-permit fees, and other charges, simply for the privilege of working on a defense project. In most cases they do not obtain union membership, but only temporary work-permit cards allowing them to work. When the job is done the A. F. L. fades out of the picture with hundreds of thousands of dollars of the workers' money. The workers themselves have no voice in the disposition of these vast sums exacted from their earnings. If this is not a species of racketeering, then I do not understand the meaning of that term.

National defense itself is being injured and retarded by this O. P. M. policy, as this committee could readily see if it would send investigators to some of these projects, such as Camp Chaffee at Fort Smith, Ark.

Projects for defense housing, such as that at Wayne, Mich., are delayed weeks by disputes here in Washington between the O. P. M. and the contracting agency initiated by the policy in question.

The CHAIRMAN. This committee has had investigators at a number of these camps, and it has one now there for this very purpose.

Mr. LEWIS. Very good.

This results in fewer bids being received and in excessive estimates by those who do bid.

It might concern the committee to know that while this dispute between the O. P. M. and F. W. A. has been going on here in Washington the defense workers who are members of the C. I. O. in the Detroit area are suffering severe hardships, and because these homes are not being built families are living in trailers, old shacks, barns, and in abandoned schools and other insanitary and unfit structures.

Later I will ask Mr. Wales, with the committee's permission, to introduce definite evidence of this fact.

Questions of legality are also raised, as in the Currier case we have the Justice Department holding that it would be unlawful for the F. W. A. not to give the contract to the low bidder, while O. P. M. exerts its influence against award of the contract. In the case of contractors whose employees are members of the U. C. W. O. C., they cannot obtain Government contracts without violating the National Labor Relations Act, if this O. P. M. policy is to stand.

It is worth noting also that there is a conflict between the O. P. M. policy in granting a closed shop in effect to A. F. L. unions and the refusal of the closed shop by the National Defense Mediation Board to C. I. O. unions. If this policy of a closed shop for the A. F. L. in the construction industry is to prevail, then it should logically be extended to all other industries, and the C. I. O. unions should obtain closed-shop agreements. In comparing the policy of the O. P. M. in the construction industry and the policy of the N. D. M. B. in other industries there is clear-cut discrimination against the whole C. I. O.

Let me quote from a telegram to President Roosevelt from R. J. Thomas, president of the United Automobile Workers, C. I. O., who says, in part:¹

In fact, this discrimination is more pronounced than is disclosed on the surface of these two policies, due to the circumstances that this policy was set up with the A. F. L. building trades without any elections by the National Labor Relations Board or any other Government agencies, while the only places we are asking for closed shops are where it has been clearly decided that we have a preponderance of the membership.

This, by the way, is the same Thomas as referred to at the start of my testimony.

Here we have the spectacle of the O. P. M. granting a closed-shop arrangement to the A. F. L. over workers who have never belonged to their unions and who join only under protest, while at the same time the N. D. M. B. withholds approval of closed-shop plans for C. I. O. unions which have won elections and whose membership are demanding this measure of job and union security. Is there not presented here a most unequal picture of Government treatment of the A. F. L. and the C. I. O.? The A. F. L. is coddled by Hillman's

¹ Subsequently entered in the record as part of Exhibit No. 133, see appendix, p. 2736.

office and given a license to exploit all the workers on defense projects, while C. I. O.'s legitimate claims are turned down by another agency. Is the O. P. M. an agency to promote national defense, or an agency to promote the A. F. L.?

Is an all-powerful Government clothed with extraordinary emergency powers to be permitted by Congress to throw its full weight behind one branch of the labor movement which has notoriously exploited the workers and retarded the industry in which it claims dominance?

Now, just a word about the United Construction Workers Organizing Committee which was established by the C. I. O. in 1939. I submit for the record copies of resolutions adopted by the executive board of the Congress of Industrial Organizations on January 8 and January 9, 1941. We intended to submit a copy of a pamphlet published by the U. C. W. O. C., outlining the program.¹

The CHAIRMAN. You may submit that later.¹

Mr. LEWIS. We will send that later, with the committee's permission.

(The documents referred to were marked "Exhibits Nos. 131 and 132" and appear in the appendix on pp. 2735 and 2736.)

Mr. LEWIS. I submit for the record a copy of our program pamphlet, which outlines our policies. I also am submitting copies of the resolution adopted by the C. I. O. convention and executive board, endorsing this program.

We are an industrial union in the construction industry, which means that we combine all the crafts into a single union, thus eliminating the source of jurisdictional disputes. The C. I. O. entered this industry after careful consideration and, in fact, after being appealed to over a period of years by the exploited workers of this industry who were confronted with intolerable conditions permitted by the A. F. L. and with serious hardships in the open-shop field. Since so much of the industry is unorganized, we have found it possible to make substantial gains among workers. We have chartered more than 400 local unions and have a membership that is over 50,000 at the present time.

In conclusion, systems of forced labor practiced by the Fascist-dominated nations of old Europe are brought vividly to mind by the policy of the Office of Production Management toward workers in this giant construction industry. It passes understanding that a powerful Government agency should lend itself to the perpetuation of intolerable conditions that have retarded the progress of this industry and exploited its labor for so many years.

When the Government says to a man that he must join a certain type of union, or none at all, it definitely marks the most backward step ever taken in the history of labor relations in this nation. Freedom of choice as guaranteed by the Wagner Act and the other pro-labor legislation for which labor has fought a half-century struggle, is being discarded by the O. P. M. Here we have the spectacle of a set of bureaucrats, clothed with extra legal powers, undertaking to rewrite the laws enacted by Congress and to impose on free American labor a new form of slavery.

¹ Subsequently submitted and included in the appendix on p. 2815.

By what rule of reason or policy should any branch of labor or industry be denied an opportunity to participate on an equal basis in the defense program of our Nation? Why are savings of millions of dollars of taxpayers' money so lightly discarded in order to continue an outmoded and too-often corrupt set-up in this industry? Are American workers now to be subjects of a "labor front" on the Hitler model? Are reputable businessmen to be turned away solely because they have sought to deal fairly with their employees in the spirit and the letter of Federal labor laws?

These are only a few of the vital questions raised by the reprehensible conduct of Sidney Hillman's Labor Division of the O. P. M. in its stealthy efforts to enforce a deal with the building trades of the A. F. of L. Fortunately, this matter has now been blasted out into the open where the public may judge. We are willing to let determination of this issue go before the bar of public opinion.

The CHAIRMAN. Mr. Lewis, I would like to ask you a question. It was implied here in this testimony that there might have been a deal between you and Currier in the organization of his plant. Is that true?

Mr. LEWIS. Most assuredly it is not. More than a year ago (I don't recall the date) our organization conducted an organizing campaign among Mr. Currier's employees, in conjunction with the Automobile Workers Union in Detroit. A strike was called, and I regret to say that Mr. Currier just licked the devil out of our boys up there at that time. We were forced to call the strike off and return to work. We continued our organizing efforts, however, and those organizing efforts culminated in the signing of the contract between the Currier Lumber Co. and the United Construction Workers Organizing Committee, which has been termed a "sweetheart" construction by members and officers of the A. F. of L.

The CHAIRMAN. Then there wasn't any deal between you and Mr. Currier on this?

Mr. LEWIS. There was not. I never met Mr. Currier until he came to Washington and sought our assistance in attempting to secure his just rights in having the defense-housing project awarded to him when he was low bidder on the contract. That was the first I ever met Mr. Currier.

In regard to "sweetheart" agreements, so-called, the only "sweetheart" agreement that I know of in connection with this particular case at all is the "sweetheart" agreement signed between the Associate Director of the O. P. M., Mr. Sidney Hillman, and the building trades department of the American Federation of Labor. The evidence of its "sweetheartedness" can be found in my letter to Mr. Hillman under date of July 16 and his letter to me under date of July 24, in which the C. I. O. affiliate in the construction industry was completely ignored and barred from any participation whatsoever in the making of this so-called stabilization agreement, regardless of the fact that C. I. O. members in the construction industry had as much right to participate in the making of that agreement as any other man in the construction industry. That's the only place that I know of where the charge of a "sweetheart" agreement in the Currier case can be made, and that is the so-called stabilization plan and agreement

between the O. P. M. and the building trades department of the American Federation of Labor.

Senator BREWSTER. When was this agreement made with Mr. Currier for your committee?

Mr. LEWIS. I don't recall the exact date, Senator, but it was prior to the bidding on the 300-unit defense housing job.

Senator BREWSTER. What about Mr. Hillman's charges against you of raiding?

Mr. LEWIS. Well, Mr. Hillman's organization is an affiliate of the Congress of Industrial Organizations. In convention and in executive board meetings of the Congress of Industrial Organizations, Mr. Hillman's organization voted a complete endorsement of the action of the executive officers of the Congress of Industrial Organizations in setting up the U. C. W. O. C.

Senator BREWSTER. Was Mr. Hillman a member of that board?

Mr. LEWIS. Mr. Hillman was a participant in the convention, and his organization were members of the executive board. Whether he was present at the time, I do not recall.

On the question of raiding, as you raid on the A. F. of L. by accepting into membership the employees of the Currier Lumber Co. in Detroit. Anyone who can term that a raid has a different conception of the English language than I have. There were no members of the A. F. of L. among the Currier employees, as I understand it. If there were, they signified their desires to belong to the Congress of Industrial Organizations by signing a pledge card, stating that it was their desire to do so; and every man in the United Construction Workers Organizing Committee who is an employee of the Currier Lumber Co. in Detroit did sign such a card, without coercion or intimidation, of his own free will and accord.

Senator BALL. Did you have any members in the Currier plant when the negotiations with Mr. Currier leading to this contract opened?

Mr. LEWIS. We did.

Senator BALL. How many.

Mr. LEWIS. Many of them. I don't recall. That was handled entirely by the local boys in Detroit, and I don't recall. Well, I never did know exactly.

Senator BALL. Mr. Currier indicated—

Mr. LEWIS (interposing). I was informed in a general way from time to time that their organization campaign was proceeding nicely among the employees of the plant, and they were signing additional members every day. That information finally culminated in their advice to me of the contract that had been signed by the company and our representatives and forwarded to our office for approval by the national organization.

Senator BALL. That doesn't quite coincide with the story Mr. Currier told us. He said that the so-called company union, his employees, had voted as a body.

Mr. LEWIS. Our campaign was proceeding. I don't know the details of just how or how fast or anything else the employees of this particular employer out there signified a desire to belong to the U. C. W. O. C.

Senator BALL. Could you get that information for us—how many members in the Currier plant you had when the negotiations leading to this contract began?

Mr. LEWIS. We can try it. I think that possibly we may be able to get it, sir. You mean when the contract was signed?

Senator BALL. No; when the negotiations opened.

Mr. LEWIS. When the negotiations opened?

Senator BALL. Yes.

Mr. LEWIS. For your information, negotiations start from the time that we obtain what we consider a majority of the employees in a given plant or the majority of employees of a given employer. Then the organization representing those men start negotiations and continue their efforts to sign up the rest of the employees. I will, however, attempt to secure that information for you.

Senator BALL. Well, you say, then, that you had over a majority of the Currier employees when this contract was agreed upon? Is that what you said?

Mr. LEWIS. I didn't say that. I said we started our negotiations in an attempt to secure a contract as soon as we secured a majority of the employees.

Senator BALL. Well, then, you must have had a majority when the contract was agreed upon.

Mr. LEWIS. It isn't good practice, Senator, to attempt to secure a contract from a contractor or an employer unless you have a majority of his employees signed up into the organization.

Senator BALL. Of course, it has been done a few times.

Mr. LEWIS. It has been done, but not by the United Construction Workers Organizing Committee.

Senator BALL. I would like to go into this question of raiding. Has your union ever taken over, bodily, members who were formerly members of the A. F. of L. union?

Mr. LEWIS. Yes, sir.

Senator BALL. That is what—

Mr. LEWIS (interposing). In the case of the Truck Drivers local union out in Minneapolis, the officers of the local union, the executive board clothed with authority from the local union itself, appealed to the Congress of Industrial Organization for affiliation.

Senator BALL. And you granted a charter?

Mr. LEWIS. We granted a charter, if you call that raiding. The men were making their own free choice in asking for affiliation with the Congress of Industrial Organizations.

Senator BALL. The officers at that time were under investigation by the international officers.

Mr. LEWIS. Not at that time.

Senator BALL. There have been several stories in the paper about that.

Mr. LEWIS. It was action of the executive board of that particular local union that governed our action in granting that charter, and the executive board referred the matter to the rank and file of the local union.

Senator BALL. Has that situation occurred in any other town?

Mr. LEWIS. Well, let's see. I only recall one instance, and that was in Ottumwa, Iowa, in a small local union there. Usually,

Senator, that creates a situation, causes a lot of legal battles, and so forth, and so on, and we prefer to accept individually the people in these various industries who desire to belong to our organization. When a sufficient number of them signify that desire, we then issue a charter. They come to us then, requesting affiliation. But in these two particular instances cited—Minneapolis, Minn., and Ottumwa, Iowa—the local unions as a whole requested affiliation with our organization, and charters were granted in those two instances.

Senator BALL. That is what is known as raiding.

Mr. LEWIS. I wouldn't call it so.

Senator BALL. Have you ever taken into your union members who, at the time they sought to join you, were members of A. F. of L. unions, outside of those two cases?

Mr. LEWIS. They cannot have a dual personality. If they join our union, they cannot be members of the A. F. of L. It may be that that has occurred at times when the executive officers of our organization and the membership did not know it was occurring in the times that that has happened. The fact of the matter is many men employed in the construction industry are authorized by their organizations affiliated with the A. F. of L. to go out and apply for membership in our organization in an effort to break up our local unions. That has occurred in numerous instances. It is doubtful whether or not we could give you written evidence of that fact, but nevertheless the fact remains that it has occurred to us and happened to us in many places throughout the country, including Washington.

Senator BREWSTER. What is your policy about initiation fees or joining fees?

Mr. LEWIS. The highest initiation fee charged by the U. C. W. O. C.—and then only in a few instances—is \$5. Most of the time there is no initiation fee charged. Part of the time, depending upon the locality and the desires of the membership of our local unions, the initiation fee is \$3, and that is only when the local unions request authority from the national organization to impose initiation fees upon new members. In other words, local unions have no authority to impose an initiation fee without authority from the national organization, and the national organization determines whether it is good policy for a one-, two-, three-, four-, or five-dollar initiation fee to be charged in that particular locality, and five is the maximum.

Senator BREWSTER. Is it the policy of the Congress of Industrial Organizations not to strike in defense industries?

Mr. LEWIS. Not to strike in defense industries?

Senator BREWSTER. Yes.

Mr. LEWIS. I just don't know what you mean. The policy—

Senator BREWSTER (interposing). Well, we have had evidence here before us, presented by Mr. Green, that the American Federation of Labor has adopted resolutions that it would not indulge in any strikes in defense industries during this emergency. I wondered if the C. I. O. had taken any similar action.

Mr. LEWIS. I don't believe—I would not be sure—that the C. I. O. as a national body has ever taken such an action as that. So far as my own particular policy is concerned in the Construction Workers, Senator, if we are denied the right guaranteed us under the National Labor Relations Act, we feel that we have the right to strike.

The CHAIRMAN. Defense or no defense. Is that your attitude?

Mr. LEWIS. Defense or no defense, because we believe that the National Labor Relations Board has the right to order compliance with that act on the part of the contractor or the employer who is enjoying a Government contract.

The CHAIRMAN. Don't you think under this emergency it would be a good policy to inaugurate a plan to help the national-defense program to its proper consummation?

Mr. LEWIS. Senator, so far as we are concerned, I am in complete accord with that particular philosophy of attempting to do everything within my power to keep all national-defense plants open, but I do not believe that the C. I. O. nor any other labor organization should be called upon to allow the contractor or the employer to take advantage of the national-defense program and deny the right to the workers which is guaranteed them by the laws of our land.

The CHAIRMAN. That goes without saying, but don't you think a policy inaugurated by you to help the national-defense program by calling off strikes during the period of emergency would be a good thing, and don't you think the National Labor Relations Act and the Government would protect you in that?

Mr. LEWIS. If we could get that protection, I would be in perfect accord with it. I have no objection. Personally, I don't like strikes. I dislike them very much, although we are forced to indulge in them at times. Strikes are not pleasant things. It creates hardships and works hardships upon the members of our organization and their families. It also disturbs the economic situation that may prevail in the particular locality. We don't like them, and we refrain from strikes except as a last resort.

Senator BREWSTER. Would you say, Mr. Lewis, that you would first exhaust all available relief within governmental lines before you strike?

Mr. LEWIS. That is the instruction, Senator, that I have issued to all of the representatives of the U. C. W. O. C. throughout the entire United States where we are operating—that strikes are the last resort at all times and that all efforts should be exhausted to secure adjudication of any dispute before a strike is indulged in.

Senator BREWSTER. That means conciliation, mediation, and arbitration before strike.

Mr. LEWIS. That means conciliation, mediation, and in some instances arbitration.

Senator BREWSTER. And how do you draw the line on arbitration?

Mr. LEWIS. We handle each case as it develops.

Senator BREWSTER. You agree with your distinguished brother, then, in denying arbitration in certain cases.

Mr. LEWIS. I agree with him in lots of things, Senator—most things, in fact.

Now, I will say this: So far as our strikes in the defense program are concerned, or so far as disturbances are created by the U. C. W. O. C. in the way of strikes in the defense program, that is practically nil, because the O. P. M. has counted us out. We are not permitted, under the stabilization agreement, to work on national defense projects.

There has been word passed around among newspapermen and others around town here that the O. P. M., under the direction of

Associate Director Hillman, says we are a dual union. Well, for your information, the 30 years' experience in the labor unions that Mr. Hillman was boasting of here yesterday and today was spent in acting as the executive officer of a dual union—a union dual to the American Federation of Labor. In the American labor movement prior to 1933, Hillman was an outlaw. He was made respectable in 1933 by joining the A. F. of L., at the instigation of President Lewis, of the Mine Workers, at that time. That is when Hillman became respectable in the labor movement, and his organization became respectable at the same time.

The CHAIRMAN. Let me tell you labor leaders something: We are not holding this hearing in order to give leaders of different labor movements a chance to dig skeletons out of the closet that are already closed. What we are trying to do is to get at the facts that may straighten out this situation, and it is to your benefit and to the benefit of all the labor leaders that the skeletons be left alone for the time being, I think.

Mr. LEWIS. Senator, I don't want to dig up skeletons.

The CHAIRMAN. All right. Let's not do it.

Mr. LEWIS. I was merely defending my own organization.

The CHAIRMAN. Before this committee your organization needs no defense. We are giving you every possible courtesy. You don't need to be defended before this committee.

Mr. LEWIS. Thank you.

Senator BREWSTER. On this matter of strikes, Mr. Lewis, I don't think we will go into detail; but I have here, on which I examined Mr. Hillman, the report in the New York Times of October 18, from the O. P. M. Labor Division, which Mr. Hillman, I presume, heads, citing that there were only seven cases of strikes, involving approximately 11,000 workers, which had any significant effect on the defense efforts. They go on to list those seven strikes, and I must say that most of them are C. I. O. strikes. I think you should give your attention to that. You are perhaps not familiar with the details, but I think all labor organizations may well give very great concern to this question of striking in defense industries. Whether Mr. Hillman is entirely impartial in his listing of these five or six C. I. O. organizations, I don't know. He evidently has some disagreements with your organization.

Mr. LEWIS. Senator, I say again that we do not have opportunities for the United Construction Workers Organizing Committee to indulge in strikes in defense industries because of the policy of the O. P. M. We are not permitted to work on them.

Senator BREWSTER. These covered defense industries generally.

Mr. LEWIS. Again, so far as I am concerned, my function has to do only with the United Construction Workers Organizing Committee. I cannot—

Senator BREWSTER (interposing). Aren't you a member of the executive board?

Mr. LEWIS. I am a member of the executive board of the Congress of Industrial Organizations.

Senator BREWSTER. I think you should bring it to the attention of your associates there, the fact that it is a matter of great concern. Whether you are justified in refusing arbitration is another matter. I think the country is considerably concerned about that. It refuses

the usually recognized safety valve for the adjustment of labor disputes, but that is a matter of policy.

Mr. LEWIS. Senator, I am not hide-bound on those things. I said I believe conciliation, and mediation, and sometimes arbitration, depending upon the situation involving a particular case. I am not—

Senator BREWSTER (interposing). I won't carry the discussion further, but I think when you undertake to eliminate arbitration as a means of settling these disputes in certain cases, you arouse serious questions in the minds of the people of the country. I think that is true.

Mr. LEWIS. I can understand that.

The CHAIRMAN. Any further questions?

Mr. LEWIS. There is one thing I would like to call your attention to, if you will bear with me a minute, Senator.

The CHAIRMAN. Proceed.

Mr. LEWIS. There has come to light just one more case, a case somewhat similar to the Currier case. It happens that it is in town here. At the present time there is a bid on 16 dwelling units in Alexandria, Va., and if I may, I would like to ask the committee to have the case investigated, because I believe there may be something in there that would be of interest to them.

Mr. FULTON. I think that case is probably the Merando case.

Mr. LEWIS. That is the case.

Mr. FULTON. That has already been the subject of investigation.

Mr. LEWIS. All right. This was handed to me by a contractor just a short time ago, and I don't know very much about it.

Mr. FULTON. The contractor brought it up directly with the committee.

The CHAIRMAN. The pictures of the Detroit area that you were talking about will be inserted in the record.

Mr. LEWIS. These are copies of telegrams from C. I. O. affiliates throughout the entire country, addressed to the Truman committee, to the President, to Carmody, to Hillman, and to other executives.

The CHAIRMAN. They will be made a Senate document and be attached to the record of the committee.

Mr. LEWIS. Thank you.

(The file of documents referred to were marked "Exhibit No. 133" and appear in the appendix on pp. 2737-2786.)

Mr. LEWIS. Mr. Wales had some pictures.

The CHAIRMAN. Mr. Wales, you had some pictures you wanted to put in the record, I believe.

Mr. GARDNER WALES. I have.

The CHAIRMAN. You may describe what they are, if you like.

Mr. WALES. If you don't mind, I would like to identify myself. My name is Gardner Wales. I am the assistant secretary of the C. I. O. housing committee.

I would merely like to tell this committee that, in behalf of all the C. I. O., I have been most active in attempting to get alleviation of the housing distress that is all over the country, particularly in the great industrial communities.

As far as this particular project in Wayne, Mich., is concerned, I worked with representatives of the defense workers in that area as a

consultant. To Mr. Palmer, the Defense Housing Coordinator, I brought information to his attention which caused this project to be programmed in the first place. We have a vital interest in seeing that proper housing is made available to defense workers. The purpose of making housing available by the Government was to prevent anything from stopping the defense program. The fact that this controversy has arisen, the fact that the O. P. M. has stopped the awarding of this contract, will prevent workers from having homes, at least to the extent of 300 units, during the coming winter. If this contract had been awarded on the date that it should have been, houses would have been available in December. As a result, workers are being forced to live in tar-paper shacks, in tents, in trailers, and in abandoned schools, as Mr. Lewis pointed out, and in proof, I submit pictures of the actual conditions in this area.

There is a caption underneath each one of the pictures which adequately describes each one of them.

Senator BREWSTER. Does it give the exact address and location?

Mr. WALES. It doesn't give the exact address, because much of this territory, as I understand it, has not been developed. It does give the township, and it explains that it is close to the Wayne, Mich., project, and it is in places toward which the workers would be drawn who would live in these proposed 300 units. I submit these for the record.

The CHAIRMAN. I think we are familiar with the extreme need of housing in that territory, and we are very much obliged to you for these pictures showing the situation.

Mr. WALES. Thank you very much.

(The photographs referred to were marked "Exhibit No. 134" and appear in the appendix on pp. 2787-2795.)

The CHAIRMAN. The committee is now going to hear the Reverend Emmett McLaughlin, from Arizona, who is the president of the Western States Housing Authority Association. He was supposed to have been heard first this morning, but this other hearing has taken up such a length of time that I had to keep him waiting. He has to go back to Arizona, and we want to hear him now.

Tomorrow morning, at 10:30, we will hear Mr. Gray, of the A. F. of L., and Mr. Westbrook, of the Housing Authority.

Father, will you stand? It is customary to swear witnesses, not because we don't believe they will tell the truth, but because it is the established custom, and we have to follow it.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Father McLAUGHLIN. I do.

TESTIMONY OF REV. EMMETT McLAUGHLIN, CHAIRMAN, HOUSING AUTHORITY, PHOENIX, ARIZ., PRESIDENT, WESTERN STATES HOUSING AUTHORITY ASSOCIATION

PHOENIX, ARIZ., LOW COST HOUSING PROJECT

The CHAIRMAN. Will you be seated and just give your name and connections to the reporter?

Father McLAUGHLIN. My name is Father Emmett McLaughlin, chairman of the Housing Authority of the city of Phoenix and president of the Western States Housing Authority Association.

The CHAIRMAN. Father, you talked to me the other day most interestingly about your experience and what you had done on the housing situation in Phoenix. I would appreciate it if you will make that statement for the record.

Father McLAUGHLIN. We started in about 2 years ago with a housing program in Phoenix. We started with the support of the city, the real-estate board, the local newspapers. The understanding was that we would construct a very low cost housing project. That we would have very low rents, and that if we did not succeed, we were taking a chance in that we would be at the mercy especially of the newspapers.

Our program is now practically complete there, and we have achieved the record of the lowest construction cost in the United States.

The CHAIRMAN. What was that cost record?

Father McLAUGHLIN. An average unit cost of \$1,750 a home. The labor scale is about the same as it is along the west coast.

The CHAIRMAN. You have the regular union scale that they have on the west coast in that construction.

Father McLAUGHLIN. All contractors were union contractors, and all the workmen on all the projects were union workmen. We feel that we have reached those low costs by knowing the community and by knowing the resources and materials that we could use; by using our own architects and by carrying out a local program. The United States Housing Authority agreed with us, although at first they disputed points of our approach.

We have pictures here which I think you have seen.

The CHAIRMAN. I have. I would like to make them a part of the record.

Father McLAUGHLIN. We will be glad to do that. We can get some more easily enough.

(The photographs referred to were marked "Exhibit No. 135" and are included in the appendix on pp. 2796-2799.)

Father McLAUGHLIN. Our dispute at the present time does not concern Phoenix so much. It concerns the entire west coast and the tendency of building defense housing projects by agencies directly out of Washington, ignoring the local housing authorities. It is not so much that the local authorities want the jobs for the sake of the jobs. These local authorities, as you know, are all serving without pay, in the interest of their communities. They feel they know the communities a great deal better, and if they had some voice in the choosing of the sites and the type of construction of housing projects, these projects would not be in so much danger of being wasted, but could be used by those communities after this emergency is over.

We believe, also, that the local authorities have established a record of building housing projects more cheaply than direct Government agencies have done, and also of building them more speedily, as in the case of Alameda, Calif. Where a project by the Navy was constructed across the street from a project being built by the local authority. The local authority project started two months after the Navy project. The local authority project is now finished and occupied and the Navy project is only 30 percent complete.

As far as costs are concerned, in Arizona we have built our projects much cheaper than the P. B. A. built theirs in Tucson and cheaper than

the Division of Defense Housing is building theirs at Litchfield at the airport outside of Phoenix.

We feel that no matter who builds housing projects, the local authorities as the local agencies of housing are going to get the blame for them if anything goes wrong. We feel that since we are going to be held responsible for them, and because the people—ordinary people—don't distinguish between different governmental agencies, we should have a voice, also, in designing, constructing, and managing them, especially since the experience of the local authorities has been such that they have, I believe, done a good job. There may have been some that were lemons, but on the whole they have done a very good job in the West.

In Long Beach, for instance, the Navy built a housing project which is right under the shadow of the housing project being finished now by the housing authority of the county of Los Angeles.

The CHAIRMAN. I saw both of those projects when I was there.

Father McLAUGHLIN. Personally, we think the housing project is the nicer of the two.

The CHAIRMAN. Was it built as cheaply as the other one? Do you know anything about the costs of those two projects?

Father McLAUGHLIN. The average costs in Los Angeles were about twenty-two to twenty-three hundred dollars a unit. I don't know exactly what that Navy project costs, although the figures are right here.

The CHAIRMAN. If you will put those in the record, I will appreciate it.

Father McLAUGHLIN. Four hundred units were built at a cost of \$1,302,371 at Long Beach, or over \$3,000 a unit. The project in Tucson, Ariz., was built at a cost of \$394,000 for 135 units; and our low-cost housing project, with brick walls, tile roofs and rock wool insulation, housing the same number of families, was constructed for \$263,000, and both of those projects were built before this question of priorities arose or before there was any strain on building materials.

The CHAIRMAN. Both were built under the same circumstances, practically.

Father McLAUGHLIN. Yes. And the project in Tucson is frame-stucco, which is not at all satisfactory. The people of Tucson have a building code which forbids stucco because of the damage to plaster due to the intense heat. We have had experience around in Arizona, also, with other Government agencies attempting to build housing that has been designed and planned here in Washington or some place outside of Arizona, and they don't realize that the temperature in the sun down there during July and August averages between 160° and 180° every day.

The CHAIRMAN. Isn't it difficult always for a Washington bureaucrat to get himself adjusted to local conditions in any part of the country?

Father McLAUGHLIN. That is very true, we feel.

The CHAIRMAN. That is just as true in Pennsylvania as it is in Arizona.

Father McLAUGHLIN. That is right. And we are afraid that with all the emphasis on defense housing now, the low-cost housing program or the idea of using local authorities and local communities to

design and have a voice in their own housing may go by the board before this whole program is over—the defense program, I mean.

The CHAIRMAN. Well, Father, we appreciate very much this information. This committee has been making a very complete and thorough study of this set-up, and, personally, I have always felt that local people know local conditions much better than the head of a bureau in Washington, and I believe that you have given us something for the record that will be of constructive use.

Is there anything further?

Father McLAUGHLIN. I have a couple of resolutions here that were passed by our Western States Association at a recent convention, concerning the use of local authorities and also concerning the question of priorities on housing projects, which I would like also to introduce.

The CHAIRMAN. We will make that part of the record, Father.

(The document referred to was marked "Exhibit No. 136" and is included in the appendix on p. 2800.)

The CHAIRMAN. Have you anything further you would like to add?

Father McLAUGHLIN. No; I don't think so. I just wanted to get this point over.

The CHAIRMAN. Thank you very much. We appreciate your waiting around so long to get it over.

The committee will recess until 10:30 tomorrow morning.

(Whereupon, at 12:40 p. m., the committee recessed until 10:30 a. m., Friday, October 24, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, OCTOBER 24, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to adjournment on Thursday, October 23, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, and Joseph H. Ball.

Also present: Hugh A. Fulton, chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Gray, you have been sworn, haven't you?

Mr. GRAY. Yes, sir.

TESTIMONY OF RICHARD J. GRAY, ACTING PRESIDENT, BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AMERICAN FEDERATION OF LABOR—Resumed

O. P. M. LABOR POLICY

The CHAIRMAN. Mr. Gray, I believe you have a statement you wanted to make to this committee. We will be pleased to hear from you.

Mr. GRAY. Yes, Mr. Chairman: there have been various statements and allegations made in the public press and over the radio and by Mr. Lewis here yesterday which in my honest opinion are not founded on fact, and I desire to explain to the committee some of my reasons and supporting facts for believing that such statements were not founded on fact.

Yesterday, during his testimony, Mr. Lewis first alleged that on the basis of his experience he was prepared to charge that O. P. M.'s labor policy directed by Mr. Hillman has operated in a manner to discriminate against all workers who do not belong to A. F. L. trades-unions; further, that Mr. Hillman's labor division of O. P. M. had intervened directly with the contracting agencies of the Government to enforce compliance with A. F. L. demands to the detriment of other unions; Mr. Hillman's office had acted, in effect, as a recruiting agency for the A. F. L. in connection with defense projects.

My answer to that, as acting president of the building and construction trades department, and in addition thereto as a member of the drafting committee and the committee which signed and accepted the stabilization agreement, is that I do not know of one

specific instance where Mr. Hillman has interfered with or intervened on behalf of the A. F. L. building trades-unions in the direction of coercing or intimidating any employer to employ members of A. F. L. building trades-unions exclusively. On the other hand, I have very definite knowledge that Mr. Hillman has informed the members of the building and construction trades department that the Government will not permit itself to be the organizing agent of any union.

Allegation No. 2:

Subsequently, we saw it referred to in various A. F. L. publications as establishing an effective monopoly on all defense construction for A. F. L. building trades unions.

My answer to that is that while the particular publication referred to is edited by and is the official publication of the American Federation of Labor, no officers of the building and construction trades department of the American Federation of Labor have any authority over its publication, and if the editor has placed a construction or interpretation of any of the provisions of the stabilization agreement, we of the building and construction trades department refuse to accept responsibility for the same. The stabilization agreement was arrived at after negotiations by and between representatives of the 19 building trades unions, affiliated with the building and construction trades department of the American Federation of Labor, and with representatives of the War Department, the Navy Department, the Maritime Commission, the Public Works Agency, and the Defense Housing Corporation—that should be the Defense Plant Corporation.

Sitting in on these conferences and negotiations, among many others, were Admiral Morrell of the Navy, General Somervell of the Quartermaster Corps, Commander Dunlap of the Navy, Mr. James P. Mitchell, labor relations officer of the Quartermaster Corps; and Dr. John A. Lapp, representing Mr. Carmody of the Public Works Agency. All of the above-named men are of such character that, I assure this committee, they would not lend their aid to violation of any law of the Government and enter an agreement that would create a monopoly of employment opportunities for any one group. We, here and now, charge that we, the representatives of the building and construction trades department of the American Federation of Labor, who took part in these negotiations, did so with the firm belief that we were not creating a monopoly and that no one could construe any provisions of the stabilization agreement as a violation of any law of the United States Government.

Allegation No. 3 by Mr. Lewis:

The actual wording of the document is secondary to the manner in which it is interpreted by the O. P. M. and the A. F. L. who have a perfect accord on this subject.

My answer to that is that this charge was best answered by the following action of the building and construction trades department of the American Federation of Labor and the report of both Mr. Coyne and myself to the executive council meeting held in the city of Seattle, Wash., prior to the convening of our recent convention, which convened on October 1, 1941. In that report we advised the members of the executive council of the building and construction trades department that no organization affiliated with the department

had any right to interpret any provisions of the stabilization agreement as a closed shop agreement. We pointed out that on a number of building construction jobs, the contracts had been awarded to nonunion contractors and that nonunion employees were being employed on those jobs, and that under the provisions of that agreement such cases could not come within the jurisdiction of the board of review if it was appealed to them. In view of this, we wish to deny and resent the charge made by Mr. Lewis in his above-quoted statement.

Allegation No. 4:

Our first experience came in the incident involving the Blaw-Knox Co., Pittsburgh steel firm, which had an important Navy contract that required purchase and reconditioning of a steel mill at Martins Ferry, Ohio. Incidentally, this firm employs and has harmonious relationships with 3,500 C. I. O. members in its main steel mill near Pittsburgh.

Because of the speed required and many changes in plans, Blaw-Knox determined to do the renovating work at Martins Ferry itself rather than call for bids from outside contractors. It put to work 300 U. C. W. O. C. members at Martins Ferry, and the work went ahead.

Then came the A. F. L. and the O. P. M.

Blaw-Knox got a summons to Washington, where Joseph Keenan, A. F. L. official now with Sidney Hillman's O. P. M. office, waved the so-called stabilization agreement for the construction industry at them and demanded they fire the U. C. W. O. C. workers and replace them with A. F. L. mechanics.

I would like to advise the committee on this particular point at this time that Mr. Coyne, who is seriously ill in bed at home, carried on negotiations with the Blaw-Knox Co. I cannot make a direct answer on that specific point, as his condition is such that I cannot confer with him. However, I want to call the attention of the committee to the following condition which was created on the J. A. Utley Co.'s job for the General Motors Corporation at Flint, Mich. The Utley Co. for a number of years has been performing a large part of the construction work for the General Motors Corporation. When Mr. Utley attempted to employ A. F. L. construction workers on this job, the C. I. O. automobile plant workers took possession of his construction office, evicted his employees, and for a number of days picketed the plant armed with weapons and would not permit any of the employees of the Utley Co. to proceed with the work, and the only basis for the interference was that A. F. L. members were employed by the Utley Co. I cite these instances in answer to the Blaw-Knox incident referred to by Mr. Lewis, so as to clear in the minds of the committee the fact that the Building and Construction Trades unions of the A. F. L. have not and do not interfere with any industrial plant workers. We, by that action on their part, contend that they have no right to interfere with our membership in the orderly procedure of bodies which have been organized. We charge that the C. I. O. was negotiating with the plant workers' unions to extend and abet the organized efforts of the U. C. W. O. C. We ask this committee: Are we to sit idly by and permit Mr. Lewis to satisfy his own organizing desires by interrupting the orderly procedure of the building and construction trades unions which have been in existence, many of them, for 75 years? We heard that Mr. Lewis' building and construction workers, according to his own statement, came into existence during the year 1939.

The pickets placed around the General Motors plant were not removed until the Bricklayers, Masons, and Plasterers' International Union, the Hod Carriers, Building and Common Laborers' Union, and the Utley Co. joined in a court action to secure a restraint order to prohibit any further interference by this body. After arguments by attorneys, this injunction was granted and the pickets were removed.

A little over a year ago, I do not know the exact date, a similar experience to that referred to on the *Utley Company case* took place at Continental Motor Co., East Jefferson Avenue, Detroit, Mich.

Allegation No. 5:

I submit for the record a copy of the decision of the O. P. M. board of review, which mentions by name various A. F. L. unions with whom the Blaw-Knox Co. was told it must do business—or else.

Answer: I do not know where Mr. Lewis obtained the alleged copy of a decision of the board of review. He refers to the O. P. M. board of review, and I am assuming that he means the board of review as provided for in the stabilization agreement. This board of review, up to this day, has made decisions in two specific cases. A claim for double time for overtime was made on the Dow Chemical Co. job at Freeport, Tex., on which the Austin Co. is the general contractor and in which decision the board decided against the Bricklayers' International Union. The other was the case of the Electrical Workers, pertaining to a trespass of their jurisdiction on the Duquesne Power & Light Co. job at Beaver, Pa.

Again may I reiterate that I am unable to understand how Mr. Lewis could submit a copy of the alleged decision of the board of review on a case that has never been before the board.

Allegation No. 6:

Then came the case of the Currier Lumber Co. and its \$431,000 low bid on a 300-unit defense housing project at Wayne, Mich.

Answer: This statement is like several other statements that Mr. Lewis has made. He has either been misinformed or, to say the least, has not made a study of the situation. The records of the Public Works Agency will clearly show that even though newspapers and radio commentators have alleged this four-hundred-and-thirty-thousand-and-some-odd dollars' difference between the next lowest bidder and the Currier Co., the records of the Public Works Agency will very clearly show that the actual difference is \$216,000.

Mr. FULTON. I think you are correct, Mr. Gray. At your suggestion, I asked for an analysis of the bids, and the difference is largely explained by the fact that the Currier bid did not include certain utilities; his bid is low by approximately two-hundred-thousand-odd dollars, instead of four-hundred-thousand-odd dollars.

Mr. GRAY. Thank you. If the committee prefers to investigate this point further, it would be interesting for them to subpoena from the Social Security Board the records of the social-security taxes paid on the employees of the Currier Lumber Co. This would, to say the least, establish one particular point; that is, what were the wage rates paid by the Currier Co. to their so-called union employees. I have heard it alleged that the wages paid their millworkers ranged from 60 cents to 70 cents in most cases. If this is so, this is from 20 cents to 30 cents below the wage customarily paid by employers of

union labor for millworkers in the Detroit area, and would, in a certain degree, account for some of the difference of the questioned \$216,000. I have had an opportunity to study the break-down of the bid submitted by the next lowest bidder, and this bid discloses that this company had only estimated a 3-percent profit on the job. The Esslinger & Misch Co. are without contracts of any large character in the Detroit area at this time and were particularly anxious to secure this contract in order to keep and maintain their organization of building-trades workers, as they felt that under present conditions if their workers were to follow the customary procedure of building-trades workers, they might migrate to other parts and it would be difficult to assemble them again unless they could keep them employed. This is why they were anxious to cut their cost to the lowest possible amount as well as to do their patriotic duty to the Government in assisting in defense construction work.

In view of the large publicity given in the public press and by radio commentators, in which the difference between these two bids was freely quoted as being \$430,000, I think that the committee owes it to the citizens of this country to clarify this statement, and I therefore request that you secure from the Social Security Board a record of social-security taxes paid by the Currier Co., so that the difference in the bids can be explained in a fair and proper manner to the general public.

Allegation 7:

Within the last few days there has also come to light a somewhat similar episode at Camp Chaffee, Arkansas, where members of the U. C. W. O. C. and local residents of the community are excluded from employment, while the A. F. L. imports workers from other States. The contractor's representative in this instance states that he signed the A. F. L. closed-shop agreement because of his understanding that the O. P. M. stabilization agreement required him to do so. Some 1,500 families were evacuated from the camp site, and who have not yet been paid for their homes, are living in destitution, while promised jobs on the camp go to outsiders imported by the A. F. L. Here, again, A. F. L. representatives boldly asserted in public addresses and otherwise that the O. P. M. agreement meant that they were to do all the defense construction.

My answer to this allegation of Mr. Lewis is that he states the fact that the contractor's representative gives his reasons for employing A. F. of L. workers on the Camp Chaffee job was due to the fact that he had signed the A. F. of L. closed-shop agreement because he understood the O. P. M. agreement required him to do so. The agreement is plain in its language and speaks for itself, but if some contractor misinterprets it or misunderstands it we are in no way to be considered responsible.

Mr. Lewis further states that some 1,500 families were evacuated from the camp site and had not been paid for their homes and were living in destitution, while the A. F. of L. imported workers from other States. If the 1,500 families consisted of one-third employable persons they would only be a small part of the employees needed to carry on a construction job of this size. I wish to call to the attention of the committee that in Corpus Christi, Tex., the number of building-trades employees residing in that large area does not exceed 450. The Corpus Christi project employed some 15,000 building-trades workers. All of these extra workers were transported without any expense to the Government, from many distant points, and the

project was completed 2 months ahead of the estimated schedule of the Government agency in charge of the work. I doubt very much if Mr. Lewis' organization with its alleged 50,000 building-trades workers could render this service to the Government.

It is as a result of the above-mentioned service, and many others rendered by the building and construction trades department's workers of the A. F. of L. that, no doubt, brought about or established the stabilization agreement.

Allegation No. 8:

I offer for the record a transcript of a radio broadcast by Fulton Lewis, Jr., which relates to the Camp Chaffee episode.¹

My answer to that is that the building and construction trades workers feel that Mr. Fulton Lewis, Jr., has been unfair in regard to the Currier case on October 22. On a 7 p. m. broadcast I listened to Mr. Lewis commenting on the testimony of Mr. Hillman. Mr. Lewis mentioned, among other things, that he had predicted that neither Mr. Coyne nor Mr. Green would appear before the committee to give testimony. He stated that Mr. Green had said that he had no information to give the committee and that Mr. Coyne had pleaded illness.

I have been unable to get in touch with Mr. Green, therefore I cannot speak for him, but Mr. Coyne's failure to appear before the committee coupled with Mr. Lewis' statement that he had predicted that he would not appear is most unfair, because in my testimony as a member of the board of review I had requested from the committee the privilege of appearing here as acting president of the building and construction trades department. Mr. Coyne's health was of such a condition that he had to miss sessions of our recent convention in Seattle, and since his return to Washington has been confined to his bed by order of Dr. Washington, of Washington, D. C.

Allegation No. 9:

It certainly adds a new and sweeping clause to the Bacon-Davis Act which governs Government construction projects by requiring that all such projects be done by A. F. L. labor.

My answer is: We wish to disagree with Mr. Lewis on the above, and it is my understanding that as a matter of policy in promoting the defense program and in order to expedite its completion, some form of labor policy has to be adopted by some administrative branch of the Government.

Allegation No. 10:

The notorious record of the building trades unions of the A. F. L. is a matter of record. It has failed the workers of this industry, just as badly as it failed the workers of the basic industries. For a half century the A. F. L. had no competition and as a result it became indifferent and corrupt. Instead of fighting on the workers' behalf, it chose the easy way of backdoor agreement, kickbacks, political deals and similar shady devices. It lost the confidence of the Nation's workers.

Answer: Replying to Mr. Lewis' statement of the notorious records of the building trades unions of the A. F. L. being a matter of record, like any other organization of its size, unscrupulous people have been and will continue to be found within its ranks; we find them in the highest callings. Only recently a high dignitary of the Federal Court bench was charged with and convicted of a viola-

¹ Excerpt from this broadcast appears in appendix on p. 2819.

tion of the law, but this is not a reflection of the whole judicial system of this country. We have had instances of leading bankers and even of some clergymen who have transgressed their obligation to the people and their church. Are we to condemn the whole edifice of society throughout the country for the actions of the few?

Mr. Lewis states that for half a century the A. F. L. had no competition and as a result it became indifferent and corrupt. The A. F. L. Building Trades Union possesses within its ranks leaders whose integrity cannot be questioned and who have devoted many years of their lives to the service of that membership and the records of the affairs of their organization are open for inspection.

The CHAIRMAN. Mr. Gray, I would like to interrupt you there to say that I am personally acquainted with many of the heads of the A. F. L. and I consider them high-class, honorable gentlemen.

Mr. GRAY. Thank you, and we are sure that their records, when scrutinized, will stand the light of day just as well, if not better than most of the organizations affiliated with the C. I. O.

Recently I attended a celebration of the seventy-fifth Anniversary of the local union in which I was an apprentice bricklayer and of which I am and have been a member continuously for 37 years, and I defy anyone to cast any reflection on the service that union gave to its members. We still enjoy the confidence of our employers with whom we have enjoyed many years of contractual relations, and we are held in respect by the public generally because we have never violated one of our contracts.

Allegation No. 11:

Now, as close as we could figure it in these United States, 90 percent of the small homes throughout this country are erected and equipped by workers not members of any labor organization; 90 percent is done by nonunion people.

My answer: During the depression years following October 1929, there was no part of the industrial life in this Nation in which there was not great unemployment among our people. This existed in the building industry to as great an extent as in any other field. Naturally, the memberships of many unions decreased in numbers. Many unscrupulous employers did not hesitate to use this to their own advantage, with the result in the building field that a large portion of it became unorganized. Perhaps the best example of this condition is in the city of Washington, D. C., where Mr. Lewis himself tried to take advantage of the situation by putting on an organizing campaign of building-trades workmen. It would be interested for Mr. Lewis to submit, at this time, the number of members belonging to his organization in Washington, D. C., due to his organization campaign. On the other hand, during the past 2 years A. F. of L. building trades unions have succeeded in organizing this particular field in the city of Washington, D. C., meaning the dwelling-house field, to a point where it is at least 75 percent organized. A similar condition existed in various districts on Long Island, N. Y., with the same result; also in St. Louis, Mo., and Cincinnati, Ohio. I wonder what success Mr. Lewis' organizing efforts have met with in these cities.

An interesting point in connection with this whole Currier case may be cited as follows the Packard local of the United Automobile Workers, C. I. O. desired to construct a building in the city of De-

troit. They made every effort possible to secure a contractor who would employ C. I. O. workers to construct the building. Failing to do this, they endeavored to find enough C. I. O. building trades mechanics to erect the building and were unable to do so with the result that they signed a contract with an employer of A. F. of L. building-trades men, to be employed on the job, and A. F. of L. building-trades men did perform the work under this contract as a 100 percent A. F. of L. organization. The United Automobile Workers, C. I. O., Dodge local, have been trying for a period of 2 years to secure a C. I. O. contractor to construct a building for them, and up to this time have been unable to do so.

Allegation No. 12:

Mr. Lewis alleged in his statement that the building trades strikes have been continued with regularity and are daily reported in the press despite the solemn pledges of the building and construction trades department.

Answer: We defy Mr. Lewis to cite any foundation for this statement. It is true there have been some strikes on defense projects, but these strikes did not occur on jobs where the stabilization agreement applied. These strikes did occur on jobs where the contractor was endeavoring to work open shop.

May I cite one example: San Jacinto, Tex., in the Houston Building and Construction Trades Council jurisdiction. Incidentally, the contractor had refused to recognize or deal with the teamsters. Local leaders of the building-trades organization refused to cross a picket line placed around the job by the teamsters' local. Immediately upon being advised of this I called Mr. Daniel Tobin at Seattle, Wash., on the long distance telephone, and he sent instructions to his local union to immediately withdraw the picket line. In addition to this, I telephoned Mr. Andrew McBride, president of the Building and Construction Trades Council of Houston, Tex., to return the other building-trades crafts to work immediately. There was a conference held between Mr. Mix, representing the contracting company, Mr. Mitchell of the Quartermaster General's Department, and myself after the job had resumed operation, and representatives of the Teamsters' Union also attended, with the result that a mutually satisfactory understanding to all concerned was reached. The job has since proceeded without any stoppage. The restarting of this job started within 24 hours after we were notified by the Quartermaster General's office that there had been a stoppage.

Allegation No. 13:

Mr. Lewis further alleges that there have been few instances where there were sufficient A. F. of L. members in a community required to complete the big projects, and that situation existed because the A. F. of L. building trades had failed to organize the industry all these years.

It is evident from this statement that Mr. Lewis is not familiar with the conditions existing in many of the areas where these large defense projects are carried on. May I cite, for instance, again the case of Corpus Christi. In that large area, as stated, there were approximately 450 building-trades workers. Fifteen thousand were needed on the job. Ninety-five percent of the 450 trades workers in the Corpus Christi area were organized and held membership with organizations affiliated with the building and construction trades department. It is true that large numbers of workers had to be

transported to this job. The same conditions existed, only in a more thickly populated area, at the Denver (Colo.) ordnance plant. Surely Mr. Lewis would not contend that we have not organized the building and construction workers in that area. The same condition existed at the Ogden (Utah) ordnance plant. The normal membership of my own subordinate union in that particular town is approximately 25 members, and it is all that the town would furnish employment for at the bricklaying trade. The same condition existed among the other building-trades crafts. The job employed 250 bricklayers, and we were able to transport to the Ogden job, without any cost to the Government, or to the contractor employing them, the necessary two-hundred-and-some-odd bricklayers. Other building-trades crafts affiliated with the building and construction trades department furnished similar service.

Allegation No. 14:

The charge has been made by Mr. Lewis that in most cases applicants do not obtain union membership, but only temporary work permit cards allowing them to do the work. When the job is done the A. F. of L. fades out of the picture with hundreds of thousands of dollars of the workers' money.

In reply to the above I have checked with the majority of the international unions affiliated with the building and construction trades department, and if it were not for time limitation I would have made a complete investigation of this question. However, in every instance I find that the unions with which I had an opportunity to check do not issue any temporary work permit cards. The system is that the applicant for membership is permitted to make a down payment on his first pay-day, and agrees to complete the payment of his full initiation fee within a limited period, ranging from 60 to 90 days. If he fails to comply with this regulation he is not initiated as a member. However, any applicant completing the payment of an initiation fee is duly obligated and issued a card of membership according him all rights and privileges of that membership.

Allegation No. 15:

Mr. Lewis states that the C. I. O. United Construction Workers organization has more than 400 local unions, and they have a membership that is over 50,000 at the present time.

Answer: When it is considered that the approximate fifty thousand include all branches of the construction industry spread through 400 local unions, we ask the question, "How could the U. C. W. O. C. perform the service in the defense program which Mr. Lewis alleges he is prepared to perform if made a party to and included in the Stabilization Agreement?"

Mr. Chairman, I would like to read the following letter which is an appeal by Mr. William J. Bowen, president emeritus of the Bricklayers, Masons, and Plasterers' International Union to the membership of that organization, drawing to their attention an article appearing on the first page of the May 1941 issue of the Bricklayer, Mason, and Plasterer.

BRICKLAYERS, MASONS, AND PLASTERERS' INTERNATIONAL UNION OF AMERICA,
Washington, D. C., May 24, 1941.

DEAR SIR AND BROTHER: Under separate cover I am forwarding to you copy of our official journal. It conveys our first attitude in respect to the incidents leading up to what has now become a conflagration of the entire world. May

I here say, that in the outset my views were of a character that indicated that the war on the other side of the ocean was no concern of ours unless the American Continent and particularly Canada was invaded. The situation has changed insofar as our idea of what is involved is concerned, and with the events that have occurred and are recurring it is necessary for a change of views.

With what I have seen in the two last wars, in which the United States of America was involved, I am constrained to say that it would be abominable upon our part if we did not make our boys ready to do what now seems the inevitable. So let us lend to our boys' efforts, every effort at our command to see to it that the sons of America shall not go into the conflict without every advantage that is possible for them to have. Let us get them ready. Let us pray to God that that readiness shall be of a character that will convince the entire world that our boys shall be so equipped as to meet attack from whatever source.

I request you as one of my associates in the movement to which we subscribed our young lives and in our mature years to carry out the traditions and policies of our international union to bend every effort along the lines which the foregoing indicates.

Let there be no strikes on defense contracts.

With kindest personal wishes and as ever,

Sincerely and fraternally yours,

WILLIAM J. BOWEN,
President Emeritus.

I wish to place that in the record, also a copy of the May issue of the Bricklayer, Mason and Plasterers' Journal.

(The journal referred to was marked "Exhibit No. 137" and is on file with the committee.)

CURRIER LUMBER CO.—LABOR RELATIONS

MR. GRAY. The Currier Lumber Co. has a 6-year record of practices which under the National Labor Relations Act are considered unfair and illegal. It has advocated an open shop and encouraged such a policy in the Retail Lumber Dealers Association of Detroit. It has intimidated its employees from joining the union of their own choosing. It has fostered a company union among the workers of the Currier Lumber Co. Its subsidiary organization has chiseled on its workers' pay, it has sent strikebreakers into a number of struck or lock-out plants, as well as aiding and abetting lumber dealers in their fight against organized labor, and we hold Mr. Currier is responsible for the death of one of our members in a lumber dispute last spring.

As far back as March 1937 when the Truck Drivers' Local No. 247 of the Building Material, Coal, and Excavating Drivers and Helpers Union was engaged in a city-wide lock-out with the Lumber Dealers Association, Mr. Currier was a very active member of the labor committee which was set up by the Lumber Dealers Association to conduct negotiations with the union. Mr. Currier assured the union representatives that if the men were sent back to work negotiations for a closed shop, wage increases, and other demands of the strikers would be retroactive to the date of the men's return to work. On this understanding and acting in good faith the union representatives of the Teamsters' Union carried on negotiations with the Lumber Dealers Association for a period of about 30 days. At the end of this time Mr. Currier announced the association would not recognize Local 247 and that the employers of their own volition were granting retroactive increases to their workers. (Soon after this uniform notices appeared in the yards of the lumber association with the wage increase announcement as well as a statement that it was not neces-

sary for any employee to join an outside union.) (This can be verified by William W. Roe.) Our union officials in Detroit tell me that as a result of this action the organization lost its entire membership in the lumber yards with the exception of one company, the F. M. Sibley Lumber Co., which remained about 98 percent organized.

The union committee believed that Mr. Currier was acting in good faith as he told our representatives that the strike was effective and that the wise course, for both management and labor, was for the men to go back to work and carry on negotiations.

The Currier Co. maintained a social club for its employees. This organization carried on social activities, sick and death benefits, and a credit union. The president of that organization is now president of the recently formed C. I. O. union. The Teamsters' Union in Detroit believes that on September 11 or 12, Mr. Currier held a meeting of his truck drivers and advised them to join the C. I. O. and offered to pay their initiation fees.

Early in the spring of 1935 Mr. Currier set up a dummy organization, the Funke Builders Supply Co., to sell sand and gravel to the Currier Co. The address of the company was 8951 Schaefer Highway, the same as the Currier Lumber Co. The Funke Co. engaged in questionable business practices to the detriment not only of the gravel truckers, but to the owners of the pits as well. The Funke Builders Supply Co. had agreed with its truckers on a weekly salary of \$25 to be paid on the 10th of each month. In June 1939 approximately 20 truckers of this company joined local No. 247. When the next pay day came, as had happened on several previous occasions, both Mr. Currier and Mr. Funke were missing. When Mr. Robert Mitchell, president of Local 247 finally reached Mr. Currier to protest the nonpayment of the drivers, he was assured the matter would be investigated. When full restitution was not forthcoming, William M. Roe, secretary-treasurer of the Union, served notice, in accordance with Michigan law, on the Funke Builders Supply Co., the Currier Co., and the State labor board, of the union's intention to strike these concerns.

Upon receipt of this notice, Mr. Funke disappeared from Detroit, and when Mr. Currier was reached, he claimed that only \$1,000 was owed by him to Mr. Funke. This amount was far less than the total wage bill due the truckers. However, the men divided the \$1,000, and since the Funke Co. was dissolved, were left without jobs and with no means of securing the rest of their back wages.

During 1935 when the Trucker's Union was carrying on an organizing campaign in various gravel pits in the Detroit area, the Currier Co. employed individual truck owners who bought gravel at the pits, transported it to the plant and then sold it to the company. The price of the load was determined by Mr. Currier. The price set by Mr. Currier was much lower than that paid truckers working for other companies. The organizational efforts of the union were successful among these truckers. However, when any truck owner hauling for the Currier Lumber Co. joined the union his services were immediately terminated.

Mr. Currier has a long record in fermenting industrial strife and labor unrest in the Detroit area. Again I have to go back to 1937. During the month of September in a strike of the building trade

council with small-home builders the Trucker's Union became involved in a strike against the S. M. Sibley Lumber Co. As I stated before, this was the only lumber yard in which the union had been able to maintain a substantial organization. During this dispute Mr. Currier brought several carloads of his employees to the Sibley Co. These men went to work in the yards and generally acted as strikebreakers. I have in my hand a sworn affidavit from Mr. William W. Roe, secretary-treasurer of Local 247, which I should like permission to read at this time. The affidavit deals with Mr. Currier's activities in this dispute. It reads as follows:

I met Mr. Currier on the sidewalk outside the Sibley Lumber Co. and challenged him on his activities as a strikebreaker. Mr. Currier replied the Lumber Co. did not intend to have any union men of any kind and that he would assist in helping any dealer whether it be lumber or otherwise in breaking a strike. He said that as long as we were in the city of Detroit the union would be a threat to their industry.

As a result of Mr. Currier's strikebreaking assistance of the Sibley Lumber Co. the Trucker's Union lost its entire membership in this yard.

Again, in September 1938, when the Trucker's Union called a strike against the Braun Lumber Co., Mr. Currier pledged his support to this company and started making deliveries for the struck plant from his own yards. This dispute lasted 9 weeks and it was chiefly the Currier Co.'s delivery of the struck plant's materials that broke the strike. This was again a major set-back in the union's attempt to improve working conditions of its membership and stabilize employer relationships in the lumber industry.

The practice of the Braun Co. was to send out its tractors and trailers under police protection and drive to the Currier Lumber Co. yards on Van Dyke Avenue. The trailers were left on the premises of the Currier Lumber Co. Later the Currier Co. used its own tractors to pick up the Braun trailers and make deliveries of the Braun lumber.

In April 1941 the Detroit Lumber Co. locked out its truckers. When Mr. Currier made deliveries for this firm a strike was declared by Local 247 against the Currier Lumber Co. Later this situation developed into a city-wide strike in the lumberyards and the building supply yards, a settlement of which was reached on May 18, 1941.

One of the pickets, Arthur Quesebarth, was killed during a street fight. The Currier Co. had sent out barricaded trailers with peep-holes in the barricades to guard its delivery trucks. These trailers were loaded with crushed cement and guarded by 17 men who wore football helmets. During one of the deliveries Mr. Quesebarth died as a result of injuries when struck by a piece of concrete thrown by a Currier guard from one of the barricaded trucks. Mrs. Quesebarth is now suing Mr. Currier and the various Currier companies individually and collectively for \$100,000.

A representative of O. P. M. aided in the settlement of that strike. In a telephone conversation to which there are several witnesses Mr. Currier agreed to abide by the terms of the agreement reached between the Detroit District Retail Lumber Dealers Association and Local 247. The business agent of the Drivers' Union states that Mr. Currier did for a short time observe the terms of the agreement.

Mr. Joseph Keenan, of O. P. M.; Mr. Ed Thal, secretary of the Building Trades Council, and Mr. McLees, of the Detroit District

Retail Lumberers Association, listened in on the telephone conversation with Mr. Currier. For a short period of time the terms of the general agreement between the association and Local 247 were observed by the Currier Co. I have a sworn statement from Mr. Robert Mitchell, business agent of Local 247, to this effect. Mr. Mitchell states that about 2 days after the signing of the agreement he discussed the reinstatement of two employees with Mr. Currier. Mr. Currier notified Mr. Mitchell that the men would be reinstated and that he was going to live up to the agreement. Mr. Mitchell also states that his organization has filed a strike notice with the State labor board charging the Currier Co. with violation of an existing agreement.

I am reliably informed by the president of the Building and Construction Trades Council of the city of Detroit that due to the newspaper articles published some several weeks ago to the effect that the Mobile Homes, a subsidiary of the Currier Lumber Co., had been awarded the contract for a defense-housing project in that area, our membership feels that we, their leaders, by entering into the stabilization agreement and prevailing upon them to accept the terms of that agreement had tied their hands so that they are now unable to defend themselves against the activities of a dual organization, and this dual organization of recent origin, which is attempting, through a firm like the Currier Co., to raid the jurisdiction of their unions and their membership after the building-trades unions had been established for close to a century, and had and now do have collective-bargaining agreements with the majority of reputable building firms in the city of Detroit.

If this contract is awarded to the Currier Co. or its subsidiary, the Mobile Homes, we, as leaders of the building and construction trades organizations of this country, will be powerless to control our people or compel them to adhere to the provisions of the stabilization agreement due solely to their feelings in the matter of the Wayne County housing project, and we feel that if industrial strife is started over this project that it will extend far beyond the Detroit area.

Our reasons for reaching these conclusions are that the Currier Lumber Co. has to depend upon producers of other materials to transport their product to his yard by trucks. These trucks are manned by the employees of the various companies and are 100 percent organized by A. F. of L. building and construction trades teamsters. As examples I cite the following:

Sand and gravel.—This material is hauled from the pits of the Manning, Lockland, and Northville Gravel Co. by A. F. of L. teamsters to the Currier Lumber Co.'s plants.

Cement.—This material is hauled from Ohio and Michigan plants by A. F. of L. teamsters.

Hard wallboards, plaster, and gyp material.—These materials are hauled from Ohio and Michigan manufacturing plants to the Currier plant by A. F. of L. building and construction trades teamsters.

Brick.—This material is hauled from different brick companies mostly located in the State of Ohio. The drivers for these brick companies are 100 percent organized by the teamsters A. F. of L. union.

Common brick.—This is also hauled by A. F. of L. teamsters from Detroit brick plants to various contractors' jobs to whom the Currier Co. has sold material. These trucks are also driven by teamsters carrying cards in A. F. of L. unions.

Electrical and plumbing supplies.—These supplies are hauled to the Currier plants and warehouse by A. F. of L. teamsters.

It would be foolish to assume that members of the Teamsters Union would help Mr. Currier defeat their own objectives; namely, that of organizing the teamsters on as large a scale as possible. Therefore, it is logical to conclude that their feelings will be of such a character that they will refuse to handle any materials delivered to the Currier plant or delivered for the Currier plant to any destination where it has been sold.

I cite this as a reason for our conclusions when I state that the awarding of the Wayne County housing project to the Currier Co. or any subsidiary controlled by this company will cause industrial strife that will be beyond the power or authority of the A. F. of L. leaders to control, and will spread and affect the business of other citizens who have contractual relations on fair standards of wages, hours, and working conditions with their employers.

Mr. Lewis requested the committee to investigate a condition on a Virginia housing project on which a Mr. Merando, a C. I. O. contractor, is alleged to have a contract. We have had considerable experience with this contractor. At one time he was a journeyman member of the Bricklayers, Masons, and Plasterers International Union. Later he became a contractor. Approximately 2 years ago he secured a subcontract from a Mr. Frank Davis, who had the general contract from the Otis Elevator Co. for reconstructing elevator shafts on the State Department Building, which was the old War and Navy Building here in Washington. This job was of a character that necessitated repair work being done on one elevator shaft at a time, and after the relining was completed, there would be an interval of several months before they could resume operation on another elevator shaft due to the fact that the one had to be repaired and in operation before repairs could be started on the second shaft. On the relining of the first elevator shaft, Mr. Merando employed bricklayers, members of an A. F. L. affiliate. In the interval after the relining of the first elevator, Mr. Merando decided to go C. I. O. Immediately upon his starting to use C. I. O. members on the second shaft, all other trades of the Washington, D. C., Building and Construction Trade Council stopped work on the job, and the job remained tied up for approximately 6 weeks. Mr. Merando then proposed the following to Mr. Frank Davis, according to Mr. Davis' statement to me: That if he, Mr. Davis, would give him a profit of \$600 over and above the work he had completed, he would cancel his contract with Mr. Davis.

Unfortunately, Mr. Davis had no provision in his contract for Mr. Merando to use A. F. L. building and construction trades mechanics and was not in a position to cancel the contract, because Mr. Merando signed a contract with the C. I. O. Mr. Davis requested our International Union to contribute the money that Mr. Merando requested. This we absolutely refused to do, and I have been recently informed that Mr. Davis had to pay him this money in order to cancel the contract, and then Mr. Davis proceeded with A. F. L. bricklayers to com-

plete the job. After this incident Mr. Merando was awarded a contract at the Walter Reed Hospital, on which he used C. I. O. building trades mechanics. At that time there were two other buildings on the site of the hospital and the feeling of the members of the Washington, D. C., Building Trades Council was so intense against him that they voted to strike all work on the site, and it was only after strong efforts on the part of John P. Coyne, president of the Building and Construction Trades Department; Harry C. Bates, president of the Bricklayers, Masons, and Plasterers International Union; and myself that we prevented such a strike from occurring. I have been reliably informed by Government officials that Mr. Merando is now over 2 months behind time in his schedule for the completion of this job, and I have not had an opportunity to find out if it is still in an uncompleted stage. May I cite this as a parallel case to the Currier situation, and the difficulty that may be incurred due to the probability of industrial disputes and stoppage of work.

The record will show that Mr. Lewis stated that negotiations had been under way with the Currier Co. for some time relative to organizing the employees of his job in the U. C. W. O. C.

I would like to present a copy of a letter signed by Mr. P. J. Currier, president of the Currier Lumber Co., dated September 2, 1941, and which was received by the Esslinger-Misch Co., September 3, 1941, and draw to the attention of the committee a statement made by Mr. Currier in the fourth paragraph of his letter which reads as follows:

Our plant is operated open shop and if for any reason delivery is refused from us on the job, we elect to supply f. o. b. our yard.

As you will notice, this is a copy of a bid submitted by the Currier Co. on defense housing project, Michigan 20041X, Wayne, Mich., and quotes a bid price of \$312,558.90 for material delivered on the job, and a price of \$300,833.15 for material delivered f. o. b. at the yard.

The significance of this letter is that as late as September 2, 1941, there was no agreement between the U. C. W. O. C. and the Currier Co. and these figures were submitted on the first bids for this, all of which bids were rejected. Mr. Currier did not submit figures at that time for the building contract, but merely as a contractor for lumber and millwork to a contractor who was competing for the job. This bears out the statement that Mr. Currier's principal line of business is that of supplying building materials and not carrying on construction work. Furthermore, it proves that Mr. Currier had no definite knowledge on September 2, 1941, that collective bargaining negotiations were to be carried on with the U. C. W. O. C. or that suddenly his Currier Social Club would transform itself into a C. I. O. unit with the president of the social club also acting as president of the C. I. O. union.

Gentlemen, that concludes my statement.

Senator MEAD. Mr. Chairman, I wasn't here in the beginning and therefore I may be asking something that has already been answered. The principal charge, as I read it in the newspapers, comes from the difference in the totals of the bids. I was quite alarmed to read that the totals were so large, and I would like to have Mr. Gray very briefly, if he will, explain the reasons for that. He may have done it before.

Mr. GRAY. Well, as I understand it, the Currier Co., through the Mobile Homes, only submitted a bid for the erection of the dwellings only. That did not include all of the items in the construction, such as water, sewers, and so forth, and there were a number of alternates that could have been left out by them. Therefore, the only conclusion I can arrive at is that the statements in the press and by radio commentators that there was a \$431,000 bid was that they took the base bid, but still, even after deducting those, there is still a difference of \$216,000 on dwelling units alone between the Currier Co. and the next low bidder.

Senator MEAD. So that the difference is \$216,000 in the two bids.

Mr. GRAY. That is correct.

Senator MEAD. Is that further reduced by the delivery of the materials?

Mr. GRAY. Well, it could be further reduced if Mr. Currier was to eliminate the jobber's profit that a building contractor would have to pay him if he purchased the material off him. Then I understand that in addition to that there is a case pending now in the Circuit Court of Appeals in the Cincinnati District against the Currier Lumber Co. charging them with violation of the Wage and Hour Act. If there is basis for that charge, then I am of the opinion that Mr. Currier may have enjoyed another what I term unfair advantage over his competitors. If he has constructed stock-size doors, door frames, window sash, and window frames under very low-wage rates—and I have requested this committee for that reason to secure from the Social Security Board a report of the security taxes paid by the Currier Co., so we will know definitely whether he has or not paid starvation wages to his employees. If those items are followed up, it would clarify this whole situation and bring to the public the real facts in the case. That is all we are asking for. We are not asking for the Government to favor us over a nonunion employer, but let us have the truth and let us know the true situation. That is all we ask for.

Senator MEAD. You say, Mr. Gray, that the estimate of the total profit of this company that was bidding against Mr. Currier was 3 percent?

Mr. GRAY. That is correct.

Senator MEAD. Approximately. Do you believe the committee could, by securing the information you suggest, determine the profit that the Currier Co. contemplated making?

Mr. GRAY. If you could get the break-down of their bid, which was submitted to P. W. A., which we have no opportunity to get, I am sure that should divulge the difference in the two bids and the reasons for them.

Senator MEAD. Is it your opinion, Mr. Gray, that awarding the Currier Co. the bid, the agency awarding the bid might be in conflict with some of the established policies of the Congress with reference to fair labor practices?

Mr. GRAY. I don't see how it would be, Senator. We have approached this stabilization agreement all from one angle; that is the most important problem before us, the expediting of the construction work in the defense program. It is an emergency, and laws that may apply in every other instance, to my mind, if they are going

to be invoked at this time and in this situation, are going to destroy the very purpose that we have set out to accomplish.

Senator BALL. Mr. Gray, Mr. Currier told us that when the A. F. of L. building trades council approached him trying to organize his plant, they told him they would never agree to prefabrication if he signed a contract with them. What is the attitude of the building trades department on prefabrication?

Mr. GRAY. If Mr. Currier made such a statement, he made an absolute misstatement of fact. There has been information put forth on that subject to that effect, for this reason. When the Lanham bill was before Congress, Mr. Bates, as chairman of the A. F. of L. housing committee, tried to get them to increase the unit price so that it would enable the administrators of that act to build substantial homes of masonry construction or of frame construction with plastered walls inside, and the theory behind that was not because we object to prefabricated homes; we freely and frankly admit that they have their use and their purpose to serve, but because at that time the principal problem before the public was the eradication of slums, we claim by putting up temporary prefabricated homes in areas like Detroit, where there are severe climatic conditions and where there is danger of these prefabricated sections warping and pulling apart at the joints, that it was really more costly when the upkeep and other factors were considered than building the conventional type of home. Now, we do not object to the manufacture or the construction of prefabricated homes. That is something for the contracting agency to decide themselves, what type they want. Whichever it is, our members will work and comply with the specifications in constructing them.

As an illustration of that, right now at San Diego, Calif., A. F. of L. building-trades carpenters are working on 1,500 homes of a prefabricated type. We are also working at the present time at Rahway, N. J., on a prefabricated type of home. We completed a prefabricated type of job for shipyard workers outside of Camden last year. I am sure that is evidence that we don't refuse to do it.

Senator BALL. Do your members also do the millwork, the factory work, in prefabricating?

Mr. GRAY. If an employer will permit them to be organized our men do the millwork in prefabrication. The Carpenters' International Union includes in it millwork as well as construction work contractors.

Senator BALL. So there is no question of that.

Mr. GRAY. Absolutely none. I would like to know of one instance where we have refused to do it.

Senator BALL. All I know is that Mr. Currier said that they wouldn't do it.

Mr. GRAY. He said somebody told him so. I am telling you where we have done it, Senator.

The CHAIRMAN. Mr. Gray, this committee tried, with much questioning, or with many questions, to get Mr. Hillman to tell us just exactly what the difficulty is in the Detroit area, as to why this contract couldn't be let to the low bidder. In your statement you say that the building trades and the Teamsters' Union would be inclined to refuse to haul material and the necessary things to the job so that it could be carried on in spite of the stabilization agreement. I want

you to tell this committee just exactly what the difficulty is in the Detroit area, why this contract should not be let to the low bidder. I couldn't get Mr. Hillman to tell me that. He said he knew the situation but he wouldn't tell me what the conditions were.

Mr. GRAY. Following Mr. Hillman's testimony, you have to go as far as Minneapolis. The C. I. O. set up a dual union up there and took over some members. They took over a local of the Teamsters' International Union, lock, stock, and barrel. At the time, they knew, or should have known, there was plenty of publicity about it, with preferring of charges and starting to prosecute some of the officers of that union for not conducting themselves as they should; at that time they moved in and took the whole union over, lock, stock, and barrel, which was purely, to my mind, a raiding action. Now, the teamsters in Detroit know that. They also know that Mr. Currier cannot carry on his business unless their Teamsters' Union, as I stated in my statement here, haul material from manufacturing plants, like cement, brick, and other items, into his yard; he can't deliver it with his supposed-to-be C. I. O. workers, can he?

The CHAIRMAN. Then it is your opinion that they would not do the hauling for him?

Mr. GRAY. I am almost sure they would not. Even we are willing to request that they have no strikes on defense work, but their feeling is so intense they are beyond our control.

The CHAIRMAN. You are willing to put forth every effort possible to have the job carried on as a national-defense project from this end?

Mr. GRAY. Oh, now—just a minute, Mr. Chairman. We had a definite understanding with the Government agencies. First it was this: That that stabilization agreement did not provide for a closed shop on all Government contracts.

The CHAIRMAN. Everybody has made that statement before this committee.

Mr. GRAY. On the other hand, we take this position, that we are not going to permit the C. I. O. or an antilabor concern like Mr. Currier to hide behind that agreement and attack us. They have to be just as patriotic as we are.

Mr. FULTON. On this question of prefabrication, Mr. Gray, is it definite that there is no objection on the part of any of the building crafts of the A. F. of L. to any prefabrication method in the United States?

Mr. GRAY. I assure you there is none. It makes more work for the carpenters of the A. F. of L. Why should they object to it?

Mr. FULTON. Do they object, for example, in the city of Chicago?

Mr. GRAY. Well, I heard some objections to it. The first prefabricated housing that I know of was what was known as a Sears, Roebuck knock-down house. At that time that was manufactured under nonunion conditions, and the Chicago carpenters did refuse to construct them. They would not erect something in their own line of work prefabricated under nonunion conditions.

Mr. FULTON. Let's see if you and I understand a prefabricated house. Do you mean by that that as far as you know it is a definite

policy of the building trades department of the A. F. of L. that a manufacturer can determine the methods by which he is going to manufacture a housing unit or any part of that housing unit, and that A. F. of L. members will work on that, irrespective of the fact that it differs from the type of work they have been doing before?

Mr. GRAY. I assure you that that is exactly the condition. We are not, and, as acting head of the building trades council, there has never been any action taken in the council. There may have been in some isolated, individual local union, but it has never come to our attention.

Mr. FULTON. And if it did you would take a definite position that it was contrary to the American Federation of Labor principle?

Mr. GRAY. Just as definite as I am talking here now.

Mr. FULTON. To get to that point a little bit further, is there any opposition to the use of machine tools or to the use of new or different tools from the ones which had previously been used by the journeymen in that particular craft?

Mr. GRAY. Well, so far as I know, I know of no objections to it. There have been objections in one particular line that I do know of by the painters on the use of a sprav-gun, claiming it is a health hazard, over the application with a brush. That has been argued at compensation hearings in every State in this country. Senator Mead probably remembers hearing it in the Albany State Legislature.

Mr. FULTON. With that exception you know of no case of that kind, and if you did you would take action on behalf of the building-trades department to see that labor-saving machinery will be used?

Mr. GRAY. Counsel, you will admit that persons of ordinary intelligence—and I think most of the labor leaders in the A. F. of L. have that or they wouldn't be where they are—are not going to stand in the way of progress. The first thing that taught them that was the linotype business. If you can build 100 prefabricated houses to one conventional type of home, surely you are going to furnish more employment for more carpenters.

Mr. FULTON. And if you can build it cheaper, people will buy more.

Mr. GRAY. There will be a larger market to build them in.

Mr. FULTON. And your own federation employees have to live in houses and are definitely interested in their cheapness.

Mr. GRAY. That is natural.

Mr. FULTON. I just wanted to be clear on that.

LABOR RELATIONS AND THE DEFENSE PROGRAM

Mr. FULTON. Now, with respect to this statement here that you know of no instance where Mr. Hillman has interfered with or intervened on behalf of the A. F. of L. Building Trades in the direction of coercing or intimidating any employer to employ members of the A. F. of L. Building Trades Unions exclusively, are you familiar with this dispute that arose out there with the American Zinc Co.?

Mr. GRAY. Where was that?

Mr. FULTON. The American Zinc Co. decided to build a new roaster in a plant that was organized by C. I. O. and started to work with the members on that particular plant, and subsequently stopped it because at a different plant in Illinois they used A. F. of L. men who were

threatening not to work on the Illinois plant if the Missouri plant continued with C. I. O.

Mr. GRAY. Counsel, I am not. Unfortunately, I am in this position. Undoubtedly, Mr. Coyne handled that. He is sick and I don't know the details of it. I wouldn't be competent to clarify it.

Mr. FULTON. The trouble apparently is that the C. I. O. has 1,200 members there and won't permit the A. F. of L. people to do it in Fairmont City, and the A. F. of L. people won't permit the Monsanto, Ill., project to go on unless the Fairmont City project is A. F. of L.

Mr. GRAY. That is entirely possible. They are probably thinking of the Detroit situation that I cited of the automobile workers.

Mr. FULTON. Then we have a case where, by reason of people in a different State refusing to work on a project, the Government has lost 15,000 tons of zinc production.

Mr. GRAY. Is this a construction problem you are referring to?

Mr. FULTON. It is a matter of constructing a roaster, which involves a number of construction and other problems.

Mr. GRAY. I don't know what kind of roaster you refer to.

Mr. FULTON. Zinc is one of the strategic materials we are short of.

Mr. GRAY. I was going to say this. If it is machinery, generating machinery and stuff of that kind inside of a plant, it would come under the province of an industrial plant worker, and I would not be familiar with it, and neither would Mr. Coyne. It is out of the building and construction game altogether.

Mr. FULTON. Would you check into that and inform us as to the facts on that, because it appears that the Government has lost 15,000 tons of a precious metal.

Mr. GRAY. Is that American zinc, you say?

Mr. FULTON. The American Zinc Co.

Similarly, had you heard of the dispute between the National Federation of Telephone Workers, which is not C. I. O. but which is not A. F. L., and the International Brotherhood of Electrical Workers, or rather Independent Brotherhood of Electrical Workers?

Mr. GRAY. Yes; the International Brotherhood of Electrical Workers brought that case to the board of review. We discussed it at considerable length, but never did render a decision on it. We had a conference with the representatives of the Government last week in the Secretary of War's office, with Colonel Battley, and as a result of that conference they got a teletype system on which work was held up at San Diego immediately restarted, and negotiations are under way between the telephone company, their employees, and representatives of the Brotherhood of Electrical Workers, trying to compose the differences without any stoppage of work, and draw a line where the two classes of work will not interfere with each other.

Mr. FULTON. Did the board of review on September 28 render an opinion on that?

Mr. GRAY. No. We heard certain evidence and we reached certain conclusions on that evidence, but did not render a decision. Those decisions were typewritten, and in some way, somehow, somebody got hold of those conclusions and sent them out and broadcast them as a decision of the board. We never did render a decision on that case.

Mr. FULTON. Can you tell us why you didn't?

Mr. GRAY. Because we only heard one side of the case, the International Brotherhood of Electrical Workers.

Mr. FULTON. And on the basis of that you have written a typed-up opinion?

Mr. GRAY. No; we just type up a memorandum, so that if at a later date we heard the other parties we could compare the statements, that was all.

Mr. FULTON. Did you have jurisdiction in that case?

Mr. GRAY. I doubt it. I doubted it and expressed my doubts when the case first came in before us, because I felt we only have jurisdiction over the people that were parties to that contract, and we had no right to make decisions affecting people that were not parties to the contract.

Mr. FULTON. And that is your present position on the board itself?

Mr. GRAY. That is my present position on the board.

Mr. FULTON. Then I take it there has been no decision of any kind by the board of review.

Mr. GRAY. Absolutely not.

Mr. FULTON. And you haven't heard the other side to the case at all, the National Federation of Telephone Workers, which has a membership of 150,000 men?

Mr. GRAY. The records will clearly show, counsel, that we have only made decisions in two cases, which I cited today, one of which was affecting my own organization, in which I decided against my own organization.

Mr. FULTON. Now, can you tell us how many members the American Federation Building Trades has today, or approximately? ¹

Mr. GRAY. They have approximately between 1,750,000 and 2,000,000 members.

Mr. FULTON. And how does that compare with the beginning of the war, say, around September 1939?

Mr. GRAY. Well, our low period—I think our peak low period was probably '36 and '37. It started going down from 1929. I can only speak authentically about my own organization. It dropped from 119,000 members down to 69,000.

Mr. FULTON. I wasn't interested in the low peak, particularly, but the beginning of the war period.

Mr. GRAY. That is what it was. The low point would probably be 70,000 members, and you can take my own organization, of which I have very definite knowledge, and it dropped down to 69,000. We now run close to 80,000. From 1939 up we have been getting in new members at the rate of a net increase of about 165 or 170 a month. That is the net increase. Of course, we have very rigid rules for accepting membership. The man, to begin with, must be a competent mechanic in our line of business; he must be vouched for by two members who are already acknowledged to be competent mechanics. They only vouch for him on his competency as a mechanic.

Mr. FULTON. But, now, you could furnish us with the information as to how many the building-trades department had in or around the

¹ Mr. Gray subsequently supplied the committee with a table of membership of the internationals affiliated with the Building and Construction Trades Department of the American Federation of Labor, which appears in the appendix on p. 2814.

period of September 1939, or if that is impossible, take the end of the year, beginning in 1940.

Mr. GRAY. That is a matter of record.

Mr. FULTON. And can you estimate that now?

Mr. GRAY. Just only in round figures. I would have to break it down by individual organizations and then compile it.¹ I would be glad to do that.

The CHAIRMAN. Will you furnish that for the record, please?

Mr. GRAY. I will be glad to.

Mr. FULTON. I take it with respect to that editorial that appeared in the American Federation of Labor Weekly News Service that you repudiate that as entirely unofficial?

Mr. GRAY. Absolutely. They never consulted us on that and were forming their own conclusions.

Mr. FULTON. I noticed in that Fulton Lewis broadcast that was put into the record² that Camp Chaffee was referred to with a statement that I think an executive secretary of the State of Arkansas A. F. L. had commented to the effect that they had a closed shop. Have you checked to find out whether he ever said that?

Mr. GRAY. The first I heard any reference to that was yesterday, but here about a week ago there was a place just outside of Oklahoma—I am trying to think of the name of it—Oklahoma City, in the same area as the Camp Chaffee job; 12 defense jobs took in an area between the Texas boundary line, Louisiana, Arkansas, Oklahoma, and southern Missouri. We had a problem confronting us there where the wage rates as established by the unions, in each one of these intervening cities—you may have a construction job here and another one here, the source of supply of men may be like St. Louis, and if this rate here was lower than that, or if that was lower than this, naturally the building trades mechanics, like anybody else, were going where they could get the most money. This contractor would have difficulty in securing enough men and keeping them on the jobs; they would all be going down to that job.

Mr. FULTON. Certainly.

Mr. GRAY. So we decided that it was in the best interest of national defense, regardless of what our wage scales were, to accept a uniform wage scale, to break those 12 jobs down into 2 areas of 6 each, so there would be an equal distribution of the men. One was a powder plant, another was a bag-loading plant, and it would be nonsense to get one up quickly and have the other delayed 6 months so one that was up couldn't operate. We conferred with the War Department on that, and finally got the picture clear across to our own people. In one place it meant a reduction of wages in that locality for our members, and we took it.

Mr. FULTON. Mr. Gray, my question had to do with the question as to whether a responsible official of the A. F. L. did or did not make the statement with respect to Camp Chaffee that the stabilization agreement required the use of a closed shop A. F. L. in that area.

Mr. GRAY. I doubt very much that he did. He could not, because that has been very clearly set out to our people and explained to

¹ See footnote on p. 2577.

² See appendix, p. 2819.

them, both by Mr. Coyne, myself, and the other presidents of every international union affiliated with the department.

Mr. FULTON. And if he did, it would be completely unauthorized.

Mr. GRAY. Unauthorized; and if he tries to enforce it we will see that it is stopped.

Mr. FULTON. Now, with respect to the stabilization agreement, I take it that the building-trades department recognizes that it has entered into a definite obligation and commitment that there shall be no stoppage of work on account of jurisdictional disputes or for any other cause.

Mr. GRAY. Counselor, I heard you ask that question the other day, and can I attempt to clarify in your mind that jurisdictional problem? That document is a contract between the A. F. L. building trades and the various Government agencies doing this defense work, and it applies to jurisdictional disputes within their own ranks. You cannot construe by that that it means our hands are tied not to resist raiding propositions by some other union or some other type of people; it does not mean that, and was never intended to.

Mr. FULTON. That refers to the three words "of jurisdictional disputes," does it not? You are referring to the three words "of jurisdictional disputes"?

Mr. GRAY. Apart from any other reason.

Mr. FULTON. Do you mean to say that building-trades men who said there shall be no stoppage of work for any other cause meant anything other than what they said in that agreement?

Mr. GRAY. Well, now, wait. I think I clarified that a moment ago, and that is what I had in mind, that we would enforce that agreement religiously, not alone the language of it, but try to obtain the purpose for which it was negotiated.

Mr. FULTON. And the language——

Mr. GRAY. Just a minute——

Mr. FULTON (interposing). Just a minute. And the only language I am inquiring about is "There shall be no stoppage of work for any other cause."

Mr. GRAY. That is correct, meaning among the contracting parties. But do you think that we would for one minute tie our hands up so we would be defenseless against any other people, whether it was an unscrupulous contractor or some other organization that wished to destroy our organization, that we would be silly enough to say, "Here, this agreement won't let us protect ourselves." Would you be unfair enough to try to interpret the language in that sense? Let me ask you a question.

Mr. FULTON. Mr. Gray, I am simply looking at the language, which, whether you were silly or not, you signed. I am not characterizing it as being silly. I am asking you what you meant by the terms that "there shall be no stoppage of work for any cause."

Mr. GRAY. Within our control.

Mr. FULTON. Within your control.

Mr. GRAY. That is it.

Mr. FULTON. You wrote those three words into that provision in your mind, at least, when you signed it. Now, why didn't you put those three words into the contract, "within your control"?

Mr. GRAY. Well, there is one reason for it, because it would destroy the effectiveness of the agreement for the purpose for which we were making it.

Mr. FULTON. It wouldn't be worth anything if it didn't mean what it said.

Mr. GRAY. I don't know what your experience has been in labor relations, but you would be surprised to see what some people would hang their hat on to get out from underneath their real obligation, no matter what language you phrase it in.

Mr. FULTON. I am surprised.

Mr. GRAY. That is a fact.

Mr. FULTON. Now, Mr. Gray, what do you mean by "within your control"? Do you mean that the Building Trades Department of the A. F. of L. has no control over the crafts which are members of it?

Mr. GRAY. You have a parallel situation right in the so-called Currier case. Here is a condition created that is far beyond our control, regardless of what the language in the contract may say.

Mr. FULTON. Let's see. The language of this contract says that if you have, as I understand it, an Army project going ahead in Detroit, that there shall be no stoppage of work on that project. Is that the way you construe it?

Mr. GRAY. That is correct.

Mr. FULTON. For any cause?

Mr. GRAY. Now, wait, don't go as broad as that.

Mr. FULTON. I am only using your own language.

Mr. GRAY. If you want to use the express language, we can be charged with a violation of that agreement, but I am serving notice on you right now—

Mr. FULTON (interposing). That you intend to violate it.

Mr. GRAY. Not to permit any unscrupulous people for the purpose of injuring us to hide behind that agreement.

Mr. FULTON. We are talking about the A. F. of L. people. They are not unscrupulous, are they?

Mr. GRAY. I don't think they are as a class, any more than anybody else.

Mr. FULTON. Let's confine ourselves to the A. F. of L. people. They signed this agreement. We are not talking about the Wayne, Mich., project at all. We are talking about an Army project or a housing project; it has nothing to do with the Wayne, Mich., project, going up in the city of Detroit.

Mr. GRAY. I thought Wayne, Mich., was defense housing.

Mr. FULTON. I say I am talking about an A. F. of L. housing project. Assume for the minute you have such, and I think you have such, in Detroit. You are obligated not to strike in that project, under this agreement.

Mr. GRAY. That is correct.

Mr. FULTON. And you are responsible people and intend to keep it.

Mr. GRAY. That is correct.

Mr. FULTON. So I take it there is no suggestion on the part of anyone affiliated with the A. F. of L. that any of those projects are going to be interfered with in any way.

Mr. GRAY. That is correct.

Mr. FULTON. Now, to go one step further, if Mr. Currier is assumed, as I understand is your position—contrary to fact, you think he can't do it—if you assume that he has employees who can build the project, is there any suggestion on the part of the A. F. of L. that they intend to interfere with the performance of the work by the men who are employed by Mr. Currier?

Mr. GRAY. Well, if he can get his material on the job, in what way can we interfere with him?

Mr. FULTON. Then I take it there is no suggestion that there would be any such interference?

Mr. GRAY. There have been suggestions, not from an official source. As I have explained time and time again, there is a very tense feeling, and the teamsters, particularly, that are hauling for other concerns that manufacture many of the materials that are distributed from Mr. Currier's yard, and which are 100 percent organized—I doubt very much if we get those men, if they had to quit and resign from our union, if they will haul that material into Mr. Currier's yard.

Mr. FULTON. That, of course, is their privilege.

Mr. GRAY. That is their privilege, and I think that is what will happen.

Mr. FULTON. But you have heard no suggestion from any source that if Mr. Currier's men are willing to work on these houses and to deliver his material that anyone intends to interfere with that?

Mr. GRAY. We couldn't lawfully interfere with it.

Mr. FULTON. You couldn't lawfully do so, could you?

Now then, it comes down simply to the question of the ability of Mr. Currier to perform a contract, in your mind, is that right?

Mr. GRAY. That would depend. For instance, Mr. Lewis said he has 50,000 building-trades workers. If 40,000 of them are common laborers and only 10,000 building mechanics, skilled mechanics, and they are distributed over a wide area, where is he going to get his mechanics from? I don't know.

Mr. FULTON. Mr. Gray—

Mr. GRAY. I am talking now to the best of my belief. I think that Mr. Currier will have difficulty in securing skilled mechanics from the source of supply with which he signed a contract.

Mr. FULTON. How many nonunion, or at least non-A. F. of L. building trades workers are there in the country?

Mr. GRAY. Nonunion?

Mr. FULTON. Or C. I. O.

Mr. GRAY. I couldn't give any authentic figures on that. I don't think there is any record of it.

Mr. FULTON. Can you give us any estimate?

Mr. GRAY. No; I wouldn't express an opinion.

Mr. FULTON. Mr. Hillman estimates it at 500,000 men.

Mr. GRAY. Mr. Hillman may have access to some United States census figures and stuff that I have not had an opportunity to study. That may be so. I wouldn't even hazard a guess on it, because I don't feel I should guess on a situation of that kind and make it a matter of record.

Mr. FULTON. At least it is a figure running into hundreds of thousands?

Mr. GRAY. I can't say. You would have to form your own conclusions.

Mr. FULTON. Now can you tell us with respect to the Detroit area, particularly in the building of small houses, what percentage of that is organized by the A. F. of L.?

Mr. GRAY. Well, I can't answer that question directly either, because it is not a tabulated matter. I know what our own membership is, but what proportion that is to the nonunion field I don't know. They are a migratory group and they are in today and gone tomorrow.

Mr. FULTON. But I believe you gave me an estimate in my office several days ago, did you not?

Mr. GRAY. Not a definite estimate on figures.

Mr. FULTON. You gave me a percentage.

Mr. GRAY. That was an approximate percentage, and I explained to you at that time I wasn't definitely sure on it. I think I said they were 75 percent organized in that area, if I remember correctly.

Mr. FULTON. So that means that in the Detroit area, at least, of the possible people who might work on this project roughly 25 percent of them would not be A. F. of L.?

Mr. GRAY. Well, that brings about the other problem, Counselor. It all depends on how you break them down by crafts.

Mr. FULTON. First, before we break them down by crafts—

Mr. GRAY. I am not going to go into that, because I can't answer you in a fair manner on it. I am not familiar enough and don't have the information at hand to do it with.

Mr. FULTON. But you did make the estimate that roughly 25 percent were not A. F. of L.

Mr. GRAY. I figured that in my opinion possibly 25 percent would not be A. F. of L., and I gave that as a minimum figure with a possibility that I was wrong. I didn't give it to you as a definite statement.

Mr. FULTON. In any event, you are aware that there has been a considerable amount of building in the small housing field in Detroit that has not been A. F. of L.?

Mr. GRAY. That has been so right in Washington, but there have been organizing campaigns in the last 2 years that have changed that picture considerably.

Mr. FULTON. But there still is such building in Detroit?

Mr. GRAY. Absolutely—and probably always will be.

Mr. FULTON. Those people are being taxed for the defense program, and I take it that, being taxed, they are not to be prevented from working on defense projects?

Mr. GRAY. On the other hand, I don't believe that one section of American citizenship should have their purchasing power reduced to save taxes for another, because if we are to follow that theory, everybody is going to take a devil of a reduction.

Mr. FULTON. That brings us, I take it, to the question of ability to perform, on which you know at least that Mr. Currier has a number of employees now, and that there are other people not employed by him representing roughly 25 percent of the industry in Detroit who would not be A. F. of L., is that correct?

Mr. GRAY. I am not going to give you no direct "it is" or "it is not" correct. Let me tell you this. I don't care what the building

project is, particularly if it is something of a prefabrication type, where you can mill the biggest part of the mechanical work. I could go out tomorrow and, on an absolutely nonunion basis, regardless of C. I. O. and A. F. of L., I could scour this country and probably gather together enough building mechanics to do a job of that character. There is no question about it.

Mr. FULTON. And as Americans you would have a right to do that and they would have a right to work.

Mr. GRAY. Absolutely they can do that.

Mr. FULTON. In that respect, does the A. F. of L. contend that they have organized within the Currier plant a large number of his employees who are going to strike?

Mr. GRAY. In the Currier plant? No.

Mr. FULTON. As a matter of fact, in the inquest proceedings that were made with respect to that death you referred to there is an admission that they claim no such membership.

Mr. GRAY. I think my statement will show that they have filed charges with the National Labor Relations Board in the State of Michigan charging that Mr. Currier at the present time is in violation of a contract with them. That is the only definite charge I have made in my statement.

Mr. FULTON. But there is no claim that there are enough members of the A. F. of L. in his plant to in any way lessen his ability to perform whatever he could perform in his plant?

Mr. GRAY. I don't know that there are any A. F. of L. members at the present time in his plant. I couldn't say that.

Mr. FULTON. At least there is no claim that there is?

Mr. GRAY. I am not claiming it.

Mr. FULTON. This seems to boil down to a proposition where you say you have no right to stop him, but your only fear is that he couldn't perform the contract, and on that he has offered to put up a bond for the protection of the Government in the amount of \$750,000, so that if he is wrong he is in for quite a shellacking, isn't he?

Mr. GRAY. Well, I have known where bonds have been put up on construction projects before and the surety companies had to finish the job. Whether that would be the case in this job I am unable to say.

Mr. FULTON. But that is the only element you are interested in, his ability to perform.

Mr. GRAY. What I am interested in is preserving peace in the construction industry on defense projects.

Mr. FULTON. How would that affect peace?

Mr. GRAY. How will it affect peace?

Mr. FULTON. Because you have just told us no one has suggested to you that he is going to interfere.

Mr. GRAY. I know it, but listen: For 30 years I have been in this labor organization business, and I don't care whether it is C. I. O. or A. F. of L., when you arouse the feelings of the average construction worker he is liable, and very liable, to do things that you or I cannot control. And say they are unlawful. If an injury is done and the man is put in prison or anything else, it may retard somebody else, won't it? But it will not correct that injury, and that is what we are trying to avoid, an injury to the defense program.

Mr. FULTON. Then I take it that although no one has made that suggestion to you, and although you agree with the committee that it would be highly illegal, you fear that someone will do an illegal act.

Mr. GRAY. That is what I am fearful of, and anybody who knows that situation in Detroit will have the same fear. Counselor, let me draw something else to your attention. That town is a thickly populated industrial center.

Mr. FULTON. I have lived there. I know it.

Mr. GRAY. If you have you know it better than I do. You know there are large C. I. O. groups in the automobile manufacturing plants. Nobody can deny that. We have instances where right in the same family there may be the father, an A. F. of L. construction worker, the two sons may be C. I. O. men in the plant, and I want to tell you I have seen A. F. of L. building construction workers refuse to go through a C. I. O. picket line. On the other hand I have seen them so wide apart that they were ready to go at each others' throats. You can't gage that by any question of law. That is a human factor that I don't think Solomon himself, or anybody else, could devise a legal procedure that would take care of it, and there is a danger there.

Mr. FULTON. Now, to pursue that a bit further, Mr. Gray, this illegal action that you are expecting will come from what source, the teamsters of the A. F. of L.?

Mr. GRAY. Counselor, I am not going to infer where it would come from. I am not going to make a charge that somebody is going to do something before it happens. I say there is a probability that it will come, and it may come from any of half a dozen sources.

Mr. FULTON. The only source you mention in your papers here are the teamsters. They would have, of course, a perfect right to refuse to make deliveries. But are you inferring that the teamsters would do these illegal acts that you talk about?

Mr. GRAY. I am not saying they would do illegal acts. I am not saying a teamster would do an illegal act. I don't consider that a teamster hauling from a railroad station to a store yard is covered under the terms of this agreement. That is not a building-construction problem. That is a transportation problem, see? And we have no control over that.

Mr. FULTON. And he can refuse to take work.

Mr. GRAY. But I don't think the teamster or anybody else would sit idly by and not use the only weapon that he has to defend his interest against attack.

Mr. FULTON. What is that weapon?

Mr. GRAY. As a transportation worker there is one portion of the teamsters that is not bound by this contract. They are not building-trades men.

Mr. FULTON. That is true.

Mr. GRAY. We have, therefore—I didn't want to go into detail—no control over them, and I am not going to assume responsibility as acting president of the building-trades department over somebody that is not bound by that contract.

Mr. FULTON. And is not a member of the building trades.

Mr. GRAY. That is right; and if he does strike in this transportation end of it, that in turn ties up construction.

Mr. FULTON. That is why we felt Mr. Green might be a little wrong in thinking it might be impossible for him to add anything, because he does have jurisdiction over the teamsters, doesn't he?

Mr. GRAY. Up to a certain point, that is all.

Mr. FULTON. Then, the teamsters have a perfect right not to work if they don't want to work in hauling these products, but that still isn't this illegal act you are referring to.

Mr. GRAY. I don't refer to the illegal act. You are the one referring to the illegal act. I am not an attorney. Perhaps I don't know what an illegal act would be.

I am not going to discuss illegal acts with you, Counselor. I don't know enough about it.

Mr. FULTON. That is the only action you think of that is contemplated today, simply refraining from deliveries?

Mr. GRAY. I am not going to say that that is contemplated. I am going to say that there is a grave danger of it occurring.

Mr. FULTON. And on that, that relates to the ability to perform. But so far as the building trades are concerned, there is no expectancy by the building-trades department to repudiate the stabilization agreement?

Mr. GRAY. Absolutely none. We made it in good faith, and we are going to attempt to keep it in good faith with every means within our power.

Mr. FULTON. Suppose one of your crafts that is in the building trades repudiates it? What would happen?

Mr. GRAY. Charges would be preferred against him in the building-trades department, and maybe his charter as a building-trades affiliate would be revoked.

Mr. FULTON. And that is action that you as acting president of the building-trades department would think appropriate and suitable in case this section 3 were violated?

Mr. GRAY. That is a matter that would have to be referred to the executive council, and they would weigh any evidence of that character.

Mr. FULTON. Are you a member of that council?

Mr. GRAY. Yes, sir.

Mr. FULTON. Would your position be of the type that you have just referred to?

Mr. GRAY. I am for taking any means possible to insure the compliance with that contract—any means within the power of the building-trades department.

Mr. FULTON. Then I take it that Mr. Hillman was a little bit unduly apprehensive when he thought that you people might be threatening to take action contrary to your contract.

Mr. GRAY. Well, I don't think Mr. Hillman referred to us people as to the terms of that contract. He had the same knowledge that I have, that there is a certain portion of the Teamsters' Union that is not affiliated with the building and construction trades department, and we have no jurisdiction over them. Therefore they do not come under the provisions of that agreement. They are purely in a transportation business, hauling from a railroad yard to Mr. Currier's and similar plants or hauling from another manufacturing plant to his plant. They may haul lumber from some lumber yard. He takes it in his mill and mills it or prefabricates it into doors and sash and makes them up.

Mr. FULTON. I think we understand your position, and they are not making any threats.

Mr. GRAY. None.

Senator MEAD. I would like to ask if in this stabilization agreement that we have been discussing this morning there are any protective clauses beneficial to labor.

Mr. GRAY. Well, I can't see where there are. I have heard a number discuss the agreement and they all seem to harp on this reduction from double time to single time. The principal sacrifice that I think labor made in this agreement was giving up their right to strike, the only real weapon on which they have had to rely for their progress and protection. Overtime rates were originally established as a penalty to enforce our regular working hours. In an emergency a question of double or single time, so long as it was brought to a uniform basis and applied over the country, as Mr. Hillman explained the other day, was the only problem. But we did make a big sacrifice, when we agreed not to strike, and the ink was hardly dry on the paper when we found a situation where people were trying to take advantage of that very sacrifice on our part to injure us.

Senator MEAD. And when, I presume, your membership feels that they are about to suffer an injury, an injury that isn't contemplated in the stabilization agreement, an injury to their economic status, their wage standards, their working conditions, why then they become resentful and they feel that the good faith of the parties to the agreement has been violated, so far as they are concerned.

Mr. GRAY. Right now there are some of them feeling that their leaders sold them down the river. I so stated in my brief. That statement is being made in the Detroit area right now against us.

Senator MEAD. At any rate, you believe that if the good faith of all the signers of this stabilization agreement is maintained, there will be no trouble so far as the workers are concerned.

Mr. GRAY. I do. I feel it is one of the most progressive steps that I know of as far as labor relations are concerned that happened in this defense program. For instance, Senator, I was working as a building-trades mechanic during the World War. I worked on a chemical plant at Niagara Falls. I found out I could get better wages down at Copper Hill, Tenn., for the Tennessee Iron & Copper Co. I had no compunction; I just left and went where I could get more money.

This agreement does just what the title says. It stabilizes that condition. Incidentally, I had my transportation paid to get me down there.

Senator MEAD. I think we are forgetting that the members of the building trades have at great sacrifice and at their own expense in most cases reached the position of skill which they now command, and I can recall attempting to join, and eventually succeeding in joining, an organization of that type, and the examination to prove my skill was easily as severe as a civil-service examination, and I can recall in our defense survey being told by contractors as far removed as Alaska that they would very gladly pay the New York scale, for instance, if they could get the New York type of skilled tradesmen.

On the other hand, the Government is spending vast sums of the taxpayers' money, and properly so, to give skills to people who are without skill, and then after they have acquired this skill at the taxpayers' expense the Government finds work for them in the defense industries. But your men, with their already accomplished skills, are being transported around the country at their own expense and are participating in the defense program without any advantage except perhaps what advantage they may have in the stabilization agreement or in other agreements; but even in those agreements, as you say, they have yielded the right to strike and given up double time for overtime, which is probably a lessening of their labor relations and their economic standards.

Mr. GRAY. Counselor, let me relate an incident. At Denver I get a call from the War Department. The job is going; it isn't a question of the War Department assisting us in keeping the job going. It is an A. F. of L. contractor. He never hired anything but A. F. of L. men. They needed 100 bricklayers on that job. The War Department called my office. Immediately I called the business agent in that town and had him arrange for living facilities for them, to secure room, board, and so forth. Then we started drawing these men and sending them in there. The result was that you had men that had arrangements made ahead for them through our agency; they were not discontented about their board or living conditions and they stayed there and stuck on the job. There is more to this than just securing employment for one member or the other. We have a very definite service to perform and we have to coordinate our efforts in performing that service.

Senator MEAD. Your background has been A. F. of L., and I take it Mr. Hillman's background has been C. I. O.

Mr. GRAY. Yes.

Senator MEAD. Do you find any discrimination against one or the other organization insofar as Government work is concerned?

Mr. GRAY. I don't find any.

Senator MEAD. I mean from those in authority.

Mr. GRAY. That is what I assume you mean—Mr. Hillman. Absolutely no! No man could have more definitely advised us, directly and frankly to our faces, "Here, there are certain positions where the C. I. O. can supply the Government need best. There are other places, in my opinion, which you perhaps are best fitted to service. The Government is going to utilize those various positions; I don't care whether it is C. I. O. or A. F. of L., and the Government is not going to permit either one of you to use it as an organizing agent.

Now, as near as I can quote, that was Mr. Hillman's statement not alone to myself, but to Mr. Coyne, Mr. Bates, and most of the general presidents of the building-trades departments.

Senator MEAD. I can see in this testimony an eloquent appeal for that unity among the ranks of labor that the President has so often spoken for.

Mr. GRAY. I would like to see it myself.

Senator MEAD. And it occurs to me that if we had this unity, along with the so-called closed shop—and we must remind our lawyer friends that they have a pretty good closed shop—

Mr. GRAY. The Bar Association! Try to get into it.

Senator MEAD. It is pretty hard to get into it, and if we had this real genuine democracy resulting from that sort of unity, there wouldn't be so many violations of the wages-and-hours law, and there wouldn't be very much need of such disciplinary legislation.

Mr. GRAY. Correct.

Senator MEAD. And I think we would all be better off for it. At any rate, I hope the time will come when labor will see the wisdom of getting together and we will have a real opportunity to enjoy democracy in our economic life.

Mr. GRAY. I would like to see the day come, Senator, when they will take the best features of both sides of this labor division and compile them together as one unit. I am for it.

Senator MEAD. As a rule, there are very fine men in both bodies, and I think the rank and file of both bodies overwhelmingly favor unity.

The CHAIRMAN. Thank you, Mr. Gray.

(The witness, Mr. Gray, was excused.)

The CHAIRMAN. Mr. Westbrook, I just wanted to ask you if you paid particularly close attention to the testimony which has been taken in the last 2 or 3 days.

Mr. WESTBROOK. Yes; I have.

The CHAIRMAN. I want you to weigh it and we will hear you next week on a further consideration of the contract that is now under consideration.

Mr. THAL. Is Mr. Thal here?

Do you solemnly swear that the testimony you will give in the matter now on hearing before this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. THAL. I do.

TESTIMONY OF ED THAL, SECRETARY, DETROIT BUILDING TRADES COUNCIL, DETROIT, MICH.

The CHAIRMAN. We just wanted to ask you one question.

Mr. FULTON. Mr. Thal, did you hear the testimony of Mr. Gray?

Mr. THAL. Considerable. I am a little hard of hearing, but I heard most of it.

Mr. FULTON. Did you differ in any respect?

Mr. THAL. I agree with Mr. Gray's testimony, except, of course, the understanding that I had of the local situation in Detroit, which is my own understanding.

Mr. FULTON. Do you think that the local situation in Detroit is such that there will be illegal action on behalf of the A. F. of L.?

Mr. THAL. I don't know what you mean by illegal action.

Mr. FULTON. What Mr. Gray meant by illegal action; namely, interference with projects that have anything to do with the Wayne housing project.

Mr. THAL. I want to make this statement, that the Detroit Building Trades Council is not going to take it lying down by Mr. Denny Lewis and his cohorts attempting to disrupt the building trades conditions in the city of Detroit.

Mr. FULTON. Then, Mr. Thal, suppose you tell us just exactly what the building trades council intends to do.

Mr. THAL. I can't make a definite statement as to that. That will depend upon the developments that will occur in the city of Detroit.

Mr. FULTON. Suppose the contract is let to the Currier organization, and that they proceed to take their trucks through the city of Detroit in accordance with all traffic ordinances. What do you propose to do about it?

Mr. THAL. Let me say this. You are just as familiar as I am with building trades strikes.

Mr. FULTON. That is giving me a lot of credit.

Mr. THAL. I hope you are.

Mr. FULTON. I think you know more about strikes than I.

Mr. THAL. I think I do.

Mr. FULTON. Just what do you propose to do in the event that I suggested?

Mr. THAL. I can't answer that question. As I say, it will depend upon developments?

Mr. FULTON. The developments are that the trucks are going through the streets of Detroit as they have a perfect right to do, complying with all traffic and other city ordinances.

Mr. THAL. I am going to leave that to the truck drivers.

Mr. FULTON. Is Mr. Roe one of the truck drivers?

Mr. THAL. Mr. Roe is the representative of the teamsters' unions that are in the material and coal delivering industry.

Mr. FULTON. Has he told you what he proposes to do?

Mr. THAL. I am not quoting Mr. Roe. Mr. Roe is fully able to answer that question himself.

Mr. FULTON. So are you. Has he told you what he proposed to do?

Mr. THAL. He hasn't told me a thing of what he has proposed to do, but I imagine, knowing building-trades strikes and knowing transportation strikes, I pretty well in my own mind am aware.

Mr. FULTON. Is Mr. Roe in the room?

Mr. THAL. Mr. Roe is in the room.

Mr. FULTON. I think he ought to be called.

(The witness, Mr. Thal, was excused.)

The CHAIRMAN. Mr. Roe.

Do you solemnly swear that the testimony you will give in the matter on hearing before the committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ROE. I do.

TESTIMONY OF WILLIAM W. ROE, VICE PRESIDENT, TEAMSTERS' DISTRICT COUNCIL; SECRETARY-TREASURER AND BUSINESS REPRESENTATIVE, LOCAL 247, INTERNATIONAL BROTHERHOOD OF TEAMSTERS

Mr. FULTON. Mr. Roe, did you hear the testimony of Mr. Gray?

Mr. ROE. I did.

Mr. FULTON. And did you agree with him that there is to be no illegal action on the part of the A. F. of L. in Detroit?

Mr. ROE. I don't know what you mean by illegal action.

Mr. FULTON. Well, suppose you tell us what action you contemplate taking in the event that you find a truck lawfully on the streets of Detroit performing this contract in accordance with the law.

Mr. ROE. Well, I wouldn't care to say what we would contemplate doing. We don't take any illegal actions.

The CHAIRMAN. That is all, Mr. Roe.

(The witness, Mr. Roe, was excused.)

The CHAIRMAN. The committee will recess until Monday at 10:30, when we will hear Mr. Odum further on the little business situation.

(Whereupon, at 12:35, the committee recessed until 10:30 a. m., Monday, October 27, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

MONDAY, OCTOBER 27, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:38 a. m., pursuant to adjournment on Friday, October 24, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman) and James M. Mead.
Also present: Hugh A. Fulton, chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Odlum, you were approaching a statement about what was likely to be done for the one-hundred-and-twenty-thousand-odd small manufacturers who employ less than 20 people about the time we had to adjourn the last time. If you want to make a statement on that now I would appreciate it very much, for I am very much interested in that situation.

TESTIMONY OF FLOYD B. ODLUM, DIRECTOR, DIVISION OF CONTRACT DISTRIBUTION, OFFICE OF PRODUCTION MANAGEMENT— Resumed

DIVISION OF CONTRACT DISTRIBUTION. COOPERATION WITH ARMED SERVICES

Mr. ODLUM. Well, I had started, in the last hearing, to cover the program really from the small end, the details, upward, and I had offered what we had been doing in the office in the way of opening clinics, and offices, and exhibits, and what not, and then I had covered the subcontractors, the so-called 56 companies, and there were 2 other things that I wanted to cover. First, what we had been doing to date with the services, that is, the Army and the Navy and the Maritime Commission, and then to touch on some of the broad programs and analysis that we have been trying to make between times.

Before covering what you mentioned, I would just like to say a little bit about what we have been doing with the services, if I may.

The CHAIRMAN. Proceed.

Mr. ODLUM. And even before that I would like to cover a couple of points that were left at the last hearing. One is, I would like to give the itinerary of the defense special trains that were to be put in the record.

The CHAIRMAN. All right.

(The document referred to was marked "Exhibit No. 138" and is included in the appendix on p. 2802.)

Mr. ODLUM. And you also asked at the last hearing about the bill that was in Congress to make the figures of the census accessible.¹

The CHAIRMAN. That is right.

Mr. ODLUM. There are two bills. One is House Resolution No. 213, which was passed by the House on October 6, 1941, and has been referred to the Senate Committee on Commerce. The other is Senate bill 1627, which was passed by the Senate on August 11 and referred to the House Committee on the Census.

The House bill makes the census data available to defense agencies. I think the Senate bill covers quite a bit of ground beyond that.

So far as the armed services are concerned, the first thing that we tried to do was to find out what legal impediments there were in the way of a spreading of work, and we called on each one of the services to find out what it was that they couldn't do on account of the laws that we felt should be done. There are several impediments. Primarily, a limitation on purchasing other than by competitive bidding. Most of the other troubles stem from that. Now, if you couple those two together, it prevents zone bidding so as to take care of territories, I mean get rid of the rate differential, and therefore to take care of distressed situations. It also prevents to a large degree the entering into contracts with so-called pools or associations that haven't been established business enterprises. Also, there is some difficulty, in many cases, particularly with the smaller companies, in the matter of the bid bonds and the performance bonds. As a result of that study, we drafted a law, or drafted a bill, a proposed law, which we felt would effectively meet the point. We have spent the last 3 weeks going over this proposed law with the counsel for the various services, and it is now about in shape to suggest for introduction.

There is just a slight polishing perhaps that needs still to be done. We have drafted this bill not only from the purely legal standpoint to do away with these handicaps, but we have also drafted it for its so-called psychological effect—that is, to spell out as a congressional policy things that the act is trying to accomplish, and the methods that might be used to accomplish them. In other words, we think that that will accomplish something in itself, just telling that story so that the services who have for many years been following certain standard procedures will have a little light shone along the way. It is not long, and I think it might serve some purpose if I read it.

The CHAIRMAN. Proceed.

Mr. ODLUM (reading):

AN ACT To provide for the more effective utilization of existing industrial facilities and resources for national defense

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. It is hereby declared to be the purpose of this Act to promote in the interest of the national defense—

- (a) the most effective utilization of existing industrial facilities and resources;
- (b) the widest possible diffusion of contracts among the smaller business enterprises in every part of the Nation;
- (c) the pooling of industrial facilities and equipment;
- (d) the wider extension of subcontracting;
- (e) the conversion into defense production of civilian industries affected by priorities and raw-material shortages;

¹ Supra, p. 2472.

(f) the alleviation of unemployment resulting from priorities or shortages of materials.

Sec. 2. To effectuate the purpose of this act, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the United States Maritime Commission, and such other departments and agencies of the Government as the President may designate, are hereby authorized and empowered during the period of unlimited national emergency declared by the President to exist on May 27, 1941, without regard to, and irrespective of, any restrictions or limitations contained in any other act:

(a) To negotiate contracts for materials, supplies, articles, equipment, and services without advertising or competitive bidding and without requiring bid, payment, performance, or other bonds or security, and to award such contracts to such persons, in such amounts, on such terms and at such prices as in the judgment of the Secretary or agency concerned will tend to effectuate the declared purposes of this act.

(b) With respect to contracts entered into before or after the effective date of this act, to make advance payments, progress payments, or partial payments of the contract price in such amounts and upon such terms, with or without security, as in the judgment of the Secretary or agency concerned will tend to effectuate the declared purposes of this act.

(c) With the consent of the contracting parties to amend, adjust, or supplement contracts entered into before or subsequent to the effective date of this act, in such manner and upon such terms and conditions, including, but not limited to, the payment of additional consideration, as in the judgment of the Secretary or agency concerned will tend to effectuate the declared purposes of this act.

SEC. 3. Nothing contained in this act shall be deemed to authorize cost plus a percentage of cost contracts or to render inapplicable existing State or Federal laws concerning health, safety, security, and employment standards of employees.

Now, we think that a large part of the job will be covered with the passage of that bill into law. A lot of the trouble with respect to outstanding contracts is that subcontracting to the degree that we now want was not contemplated at the time the contracts were entered into, and the prime contractor therefore doesn't, in many cases, feel that he can assume the burden, and it will be a burden of going through the period necessary to train subcontractors to do parts of that work. We think, therefore, that in order to get subcontracting more intensified and to speed up deliveries, the services should have power to enter into amendments to the contracts that are already outstanding when they think it will accomplish those purposes.

The CHAIRMAN. One of the difficulties of arriving at the situation as outlined in that proposed bill is that these safeguards and the things that are sought to be gotten around in that bill have been set up over a period of years in the interest of honesty and integrity. Of course, what we are trying to do now is to get this thing spread out in such a way that everybody can get part of the contracts either in subcontracts or in pooling or in small contracts, and I suppose that it is going to be necessary to amend the present law so that can be done, but we must be careful that we don't take the bars down and give the crooks a chance to get into the Treasury.

Mr. ODLUM. I agree with that, and I have no complaint as to the present laws so far as they fit normal conditions. They do not permit speed, and they do not permit the very things that we have to have done.

The CHAIRMAN. That is admitted, and we will have to trust somebody in order to get this job done.

Mr. ODLUM. And I am sure there will be ways opened under that bill to permit some people at some time to take advantage of the

situation; but I think that if people keep on their toes and watch, it can be kept to a minimum and kept to such a minimum that the advantages to be obtained will so far outbalance the disadvantages that it should be done.

Mr. FULTON. Also, of course, by reason of those temptations, I assume that where the Secretary is requested to act to disregard any such regular standards, that the official requesting that act ought to specify very carefully his express reasons for that, so that it could later be examined by you or by someone else for the purpose of ascertaining whether in fact there was justification.

Mr. ODLUM. I think that is true as to most of these things, such as area bidding and letting down the bars on performance bonds, but I think that almost as a general practice for the period of the emergency they will have to do away with competitive bidding and carry on purchases by negotiation, because competitive bidding slows the thing up terribly; it doesn't give the small contractor around the country an opportunity to get his bids in and to study the thing. Furthermore, if a concern in Minneapolis, let us say, tries to bid against a concern in Baltimore for the delivery of some article in Washington, the rate differential just eats them up. It can't be done, and we won't have geographical diversification of our purchasing at all.

Mr. FULTON. I understand that. I merely meant, though, that in all such instances would you not agree that the procurement officer should specify in some clear detail the exact reasons that he had?

Mr. ODLUM. I agree that there should be as good a record made as possible, but I fear that if we put too much of a spot or record on the procurement offices we will find them unconsciously reverting to the practice of playing safe and not accomplishing the purposes that we want to. There is a nice dividing line between having the record complete and stopping the procurement officers from going ahead and doing the things that are necessary to spread the work. I did have—that is a very pertinent question—in the first draft of this bill a paragraph which I think would completely meet it, and that was that whenever any purchasing officer or employee of any of these services wasn't sure whether he should act one way or another, he might bring the facts to the Contract Distribution Division, and we would certify and thus take them, in effect, completely off the spot. But I think there were two objections to it. First, I don't believe that the Contract Distribution Division is recognized by any statute. It is the creature of the Executive order and therefore probably shouldn't be referred to by name in any act; and secondly, I think that probably the services felt that they shouldn't be relieved of that responsibility and that it was better to open up the way and let them take their own risks and responsibilities.

Mr. FULTON. I merely asked that question because, in so many Army and Navy reports, we find nothing but a conclusion and no really good written detail showing how they reached them; and in that particular case where they would be disregarding the established standards, they really should specify the exact reasons why they did.

Mr. ODLUM. The third objection to what we had was that we had said that these facts should be certified to us and that the deci-

sion of the Contract Distribution Division would be based on those facts, and they felt that that, in effect, didn't take them off the hook, because again it went back to the sufficiency of the facts, you see, and they might as well assume the responsibility from the beginning.

I want to say in passing that at the last meeting the question was asked whether I would be willing to use energetic means to go after the services in case I found that they failed to carry through on this policy. I said I would certainly be willing to call a spade a spade and use all the power I had in case I should find that to be true. That was sort of in answer to a question, out of the context of my presentation; and by reason of the adjournment and the fact that it stood alone in the record, there has been a thought on the part of some that possibly I was criticizing the services or that I was suggesting that perhaps they had not cooperated. I would like to clear that now. I have seen every evidence to date of cooperation on the part of the Army and the Navy and the Maritime Commission. They have taken hold at the top of this Executive order and the policy contained in it and have sent numerous directives on down through the field. There isn't anything that we have asked to date that we haven't gotten in a fairly prompt and fairly satisfactory way. I don't know that the policy has completely reached all of the outposts yet, but I know it is seeping down through, and it takes a little time for it to come in full force.

Some of the major things that we will need in order to carry through this spread work policy have still to come up. I just want to say that I believe that the services have cooperated, and that the people who think that they are, in effect, as some have said, giving lip service to the policy, but will carry on in their old standards, will have proved to them in the course of time that that won't be true. It won't be true for two or three very good reasons.

In the first place, the services themselves at the top fully appreciate and fully want this policy to go through. I can't speak for the rest because I don't know, but I think they do, too, down the line. In the second place, the services do the buying, and therefore the spread work policy will fail or it will succeed, depending on what the services themselves do. We can only be of a little help. We can't accomplish anything without them. For that very reason, if the thing does fail and the work hasn't been spread as it might have been, the failure, and well known to them, will come back very directly to roost on their own shoulders. First, they are giving cooperation; and second, I am sure that they will, because the necessities are such that they must.

Mr. FULTON. That is what I understood from your statement, not that you were suggesting that they would not cooperate, but simply that if you did find any instances in which a procurement officer of any of the services did not in fact give the contracts to the companies which would be entitled to them under these broad considerations of your Executive order, you would see to it that that particular procurement officer's action was brought out in detail.

Mr. ODLUM. That is correct.

Mr. FULTON. So that the service could then take whatever action it saw fit with respect to him.

Mr. ODLUM. I would prefer to bring out the problem and the issue involved rather than to bring out any particular procurement officer,

because, as I stated, I think that the success of this program depends entirely on cooperation, and I never expect to start cooperation by putting anybody on the spot if I can find some way to accomplish it more effectively.

Mr. FULTON. But you won't hesitate to do the latter if you have to.

Mr. ODLUM. If, in my opinion, that is the way to do it, I certainly won't hesitate.

Mr. FULTON. In the last analysis, I think you stated, only a few minutes ago, that by reason of established principles, such as looking for an established agent, looking for a company that is biggest and best suited to do the work, there is so much reason to do nothing that it is almost necessary on your behalf to set up some machinery to counteract it.

Mr. ODLUM. Yes; there must be machinery and by setting up the proper machinery, it will automatically either succeed or show right on its face, by the break-down of that machinery, that there has not been the push put behind it that should have been put. I have some ideas on what that machinery, in part, should be.

Mr. FULTON. Yes.

Mr. ODLUM. I want to say that we have to date taken occasion to call to the attention of the services various things where we thought that the policy was not in effect working out. For example, as a part of my responsibilities under the Executive order, I have appointed an Engineering and Advisory Committee, and that Committee has had three or four meetings and has called my attention to two or three things which I have passed on to the services. One, it was believed that their requirements as to tolerances are too great in many cases—not in all but in some cases—so that automatically the smaller plants that haven't the machinery to do those fine tolerances are cut out of the work, whereas the work itself doesn't require such fine tolerances. I called that to the attention of the services, and we are having a subcommittee of our Engineering Committee meet with the subcommittee of certain of the services to discuss this subject of tolerances.

I also heard of a situation in Ohio where a bid had been called for on a certain shell. Two plants, although they were shut down and although they had machinery that could make that shell immediately, had to bid competitively, and therefore they had to bid on a basis that required them to go out and buy new machine tools that would take 12 months to build and leave their plants idle in the meantime. I felt that this wasn't carrying through the policy of spread work. Even with a little higher cost, they could have taken the present machinery with the three processes and gone ahead rather than wait for the new machinery with the one process.

I also found a case where one of the services had called for some automobile tires, a large quantity, on an all-or-none basis. I felt that that didn't give the little tire companies a chance to bid on the order. I called that up, but unfortunately it was too late in that case, but I impressed that policy on the service so that it will not occur again.

The CHAIRMAN. Speaking about tolerances, the latest complaint I have heard is that people who have been making the micrometers for the measuring of these tolerances have now refused to furnish these micrometers to the little people, so that they can meet the tolerances, that the company in New England which has been making these mi-

chrometers for the last 80 years has refused to make deliveries to them. If that is the case, then the little fellow is shut out sure enough.

Mr. ODLUM. If that is the case, I agree with you, and it should be looked into and checked.

The CHAIRMAN. I think it should be.

Mr. ODLUM. There are so many times that I hear things like that and something else develops on a study of it that I would want to know the facts before making a decision, but the machine-tool industry, of course, needs fine instruments. It is really the bottleneck of this whole defense program. They are booked up for many months ahead.

In that connection, I might say that our Division is making a survey of machine tools in existence, and we think in the course of a few weeks more we are going to have a much finer survey, in the sense of machine tools, than we have now.

The CHAIRMAN. I will furnish you this latest complaint.

The ODLUM. Fine. I will be glad to have it.

Mr. FULTON. With reference to that second point that you made, namely that some companies by reason of competitive bids would be forced to disregard their existing machinery and order new ones, is that because if you order new machinery, you could order more special-purpose tools which would not enable you necessarily to do the work to any finer tolerance, but which would enable you to save a few cents on each item?

Mr. ODLUM. That is exactly correct. In this case you would get a tool that would make this item in one operation, and, therefore, make it for about 10 percent cheaper. The present equipment would take three operations to do the same thing, but it would nevertheless get out a shell to exactly the same tolerance and specifications and get it out now rather than get it out 15 months from now.

Mr. FULTON. Isn't it true that on a great many of these things, if we had been willing to use these general-purpose tools at perhaps a little higher rate rather than to wait for the construction of a new factory and for the building of new machine tools, we could have been much further along today than we are?

Mr. ODLUM. I think you would have been some further along today, but I think the peak in production hasn't been reached yet. The difficulty in the past in that connection has not been nearly as great as it will be in the future. I think when they started out in the beginning to order certain standard pieces for the Army and the Navy, that they logically went to some of these sources that they knew had the machinery to make it quickly and cheaply. Now, however, it is necessary to go out and use the tools and machinery that we have, even though it costs more per item, and maybe even though it takes more labor per item, because, in my humble opinion, time is of the essence, and if we get plenty of tanks and airplanes and equipment and munitions now to help the people whom we are trying to help to help ourselves, we can save a lot of money and a lot of time in the future. It is nice to build up a picture whereby we are going to have an enormous production in 1943, but if we have some more production now, maybe we won't need that. I honestly believe that a dollar spent now will save three or four or five dollars later.

Mr. FULTON. It would also, I think, tend to lessen the priorities problem for the reason that if you used the existing equipment, that equipment being in defense, it would not compete for the small amount of strategic materials available for civilian supply.

Mr. ODLUM. It would take that producer out of civilian supply and put him into defense, but above all, it would relieve a great pressure on the machine-tool industry.

Mr. FULTON. And you propose to do that by examining most carefully all orders for new tools and new equipment by proposed letters and to say the one who can do it with his existing equipment should be allowed to have the contract or should be given a higher rating, at least, than one who has to have a new factory or new tools.

Mr. ODLUM. Yes; under the present procedure, our Division has been more or less left to try and pick these things up at the time proposals are cleared with O. P. M. That is where it finally comes for approval after it has been studied out and negotiations carried up to the point of execution of the contract. In some cases involving large plant expansion we get information at the time the proposed new plant comes before the Plant Site Board. It has taken a pretty serious obligation to stop some new purchase of machine tools and plant additions at this time because everybody has had months to study it out, and we might at that date simply hold up national defense. I feel it is absolutely necessary for our Division to get down into the planning stages of this, so that we can show where there are existing tools and machines and plants to do the same job before the thing has been crystallized.

That is one of the things I have been working on with the services, and in principle they have agreed with us. When we get the adequate manpower, we will be working down in the planning stages on all of these things. At the present time we are working on the new tank program in the Ordnance Department. We have also gotten the approval of the War Department to send a man down to Wright Field to sit in on the planning stages there, and we have sent that man. We are also studying, by agreement with the War Department, the various materials that will be brought in the fairly near future by the Quartermaster Department. They are peculiarly susceptible to this spread work because many of them are of standard makes and types, and we hope that we can do some good there.

I would say, incidentally, that during this last week we were able to find some small manufacturers who could make certain machine tools, and we got a 3-million order for machine tools and some smaller ones, which saved a bottleneck and also helped little business.

There are some other things that we have been working on with the Army and the Navy. We have arranged to have a little further time given to us before competitive bids are called for so that we can get it out into the field and disseminate that information among small businesses. We are now getting daily reports on the contracts which have been let, so that we can get that immediately out in the field and let the small businesses work on the question of subcontracting under those prime contracts. But that doesn't go far enough. Beyond all that, what we have got to do is to know what

is coming up in a general way and over the next 3 months, so that we can begin breaking it down and working on it early. We have asked for that, it is a huge job, and I think so far as the Army and the Navy can assemble it, we will have it in time.

Mr. FULTON. That is a very basic necessity—

Mr. ODLUM (interposing). Very basic.

Mr. FULTON. If you are going to do anything about it, for the reason that you mentioned. If they bring to you a concrete proposal which you haven't heard about before—

Mr. ODLUM (interposing). It would be too late.

Mr. FULTON. It would first be a delay to the program if you should refuse to agree to it, and second. I don't quite see, if you didn't have a chance to make your underlying studies, how you would know for certain that a specific part of that could be done by a specific subcontractor.

Mr. ODLUM. No. I have taken the general position in the last 2 or 3 weeks that when the matter gets to the O. P. M. or Plant Site Board and to our attention, if we can't immediately, that is, within a matter of 2 or 3 days, find some substitute means of doing that, we shouldn't take the risk of holding it up.

Mr. FULTON. But you are going to try, from now on, to get right down to the base from the beginning and to have proposals of your own to make to the procurement officers as they negotiate the contracts.

Mr. ODLUM. That is correct.

TAX AMORTIZATION DEDUCTIONS FOR NEW PLANT FACILITIES

Mr. FULTON. There is another thing on that whole point that you were making about saving time by utilizing existing tools, even though perhaps the operation that would be performed on the existing tools would cost a few cents more than it would on a brand-new tool, newly constructed. Doesn't that bring very much into importance the question of capital cost to the manufacturer, and the question as to whether he should be permitted to get tax amortization certificates whereby he can, in effect, deduct the cost of this new tool from his taxes?

Mr. ODLUM. Exactly so. That is one of the further matters that I have been studying—this tax amortization law.

Mr. FULTON. Because if he can deduct that from his taxes, one of the reasons he is cheaper and able to underbid is that he has what really amounts to an unfair tax advantage over his competitor with existing machinery.

Mr. ODLUM. I think it is bad from every standpoint to build up a lot of new plants which he will have after the war work, while at the same time we are letting existing plants fall into disuse. I don't mean by that that there is not a lot of plant that doesn't have to be built, because there are many things that must be made that cannot be made efficiently in existing plants, such as big parts of tanks, and so on. But I think there has to be a line drawn. Present cost is not the criterion because cost is measured in terms of results—and personally, I don't care whether an item costs 50 percent more, if it can be acquired now with the existing plant, I think it

is cheaper than to get that same item a year or two from now at 30 to 50 percent less, with a lot of new plant that has to be amortized.

The CHAIRMAN. And that won't be used after this thing is over.

Mr. ODLUM. Well, it probably will be used after this is over, at the expense of the plant that is already in existence, because it will be the efficient plant. I sat in on a committee that helped draft the amortization bill a year or two ago. Personally, I believe in the essence of that bill, but I think it is wrong in its detail. In the first place, I don't think that you can amortize a plant, no matter in what year the plant has been built, over a fixed 5-year period. The 5 years were taken as an assumed period of the emergency at the time, and I think that a plant that has been built in the first year of the emergency should get one treatment and a plant that is built in the fourth year of the emergency should get another treatment. On the other hand, I believe that when a plant is built that doesn't need to be built, it shouldn't have the right to amortize and therefore, if there could be some elasticity in the certification of what plant could be amortized under that bill, it would be the most powerful, potent weapon—not weapon, but club, let me say, or piece of sugar, to get this subcontracting spread out before any new plant site owner gets the right to amortize. Even before he gets the right to build the plant, we should have the right to pass on it to see if that plant is needed.

Mr. FULTON. It was for that reason that Senator Truman directed that a letter be sent to you, asking you to check on tax-amortization certificates, for the purpose of making sure that those plants which are built unnecessarily and which unduly compete with existing industry which could do the same work, do not get the additional tax benefit.

Mr. ODLUM. The bill as finally enacted cut that out, but I don't think that would go to the problem, anyway. After the plant has been built, if it has been built under Government order or contract, I think we have probably passed the stage where we can do our effective work. I think we should be in there on the negotiation that leads up to the question of machine tools, new machine tools, or plant, and that if we have not found something as a substitute for that new machine tool and new plant, the man very logically should have the right to amortize it—and over the remaining period of the emergency, not for 5 years in the future.

On the other hand, if we do find that there is something in our opinion that can be used to do that work and they still go ahead and build the plant, then I don't think he should have the right to amortize it at all. He should just have the ordinary depreciation on the plant, as he would have on anything else he buys.

Mr. FULTON. The committee would appreciate it if you would inform us from time to time of those situations where you don't think amortization would be proper because existing facilities could do the job.

Mr. ODLUM. Yes.

PLANT CONVERSION FOR DEFENSE PRODUCTION—PLANS FOR PROTECTION OF SMALL BUSINESS

Mr. ODLUM. I have finished my presentation so far as it concerned the services, and that brings me down to the last phase of the problem.

That is the very broad analysis and the very broad approaches to the solution of this problem.

There have been two ways that I have seen to approach it. One was to try and convert and get just as much plant—small plant—around the country into production for defense purposes as possible; and the second way would be to try to protect small business and keep it operating.

I think our true approach is the first approach, because, in the first place, it is more in keeping with the Executive order, which, you will find by reading, is almost entirely in terms of defense production and use of plant for that purpose. In the second place, if we can get these plants into defense production, we automatically meet the second point; that is, we keep them busy, and we save their organizations and their lives. So we have been going along that way and trying that between doing other things that seemed more pressing at the moment; that is, to get the various things moving that had to be done in any event. We have tried to do some large-scale analysis.

Over the week end I had opportunity for the first time to write down on a piece of paper what I felt was the correct analysis of this situation, and it might make my statement a little more accurate if I should read just what I have said.

The CHAIRMAN. Proceed.

Mr. ODLUM. According to the 1939 census, there were approximately 184,000 manufacturing enterprises in the United States. Necessary details for a complete analysis are unavailable, but these approximately 184,000 manufacturing establishments for our purpose can be divided into four classes; namely: (1) Those already busy on defense work, (2) those affected by shortages of raw materials and priorities that can in shorter or longer time be converted to defense work, (3) those similarly affected by shortages and priorities that can't be effectively converted to defense work, and (4) those in civilian production that don't use scarce materials and are therefore unaffected by priorities.

The primary and immediate problem of the Contract Distribution Division is with class 2; that is, with those enterprises not now doing defense work that are affected by materials shortages for their usual operations but that can, in time, be converted to defense production. A reading of the Executive order of September 4 makes clear that our major emergency task is to diffuse defense production and to convert plants to defense production. We deal primarily with defense work and plants able to do that work, but the preamble of the Executive order states, among others, the purposes of the order to be "the alleviation of unemployment caused by the effects of such priorities and shortages."

Therefore, if and to the degree that finding a solution for class 3—that is, the plants that can't be converted—alleviates unemployment, it would seem that it would not be exceeding the authority of the Division of Contract Distribution to raise the issue presented by this group and point to a solution, even though the Division is not specifically charged with that responsibility. This jurisdiction should be assumed, however, only if it is not being specifically handled by others, but is a sort of no man's land. In any event, the problem of this class must necessarily be pointed out for prompt action by someone to be charged with that authority.

There is another reason that this would seem proper. The Executive order says that—

to insure unity of policy and coordinated consideration of all relevant factors in the formulation and execution of industry conversion programs and contract distribution and subcontracting procedures, all such programs and procedures shall clear through the Division of Contract Distribution.

No over-all program for industry conversion can be logically approached without adequate consideration as to what is to be done about that class of enterprises named in 3, which must either receive special treatment or perish.

Who the clients of the Contract Distribution Division are is not now known except in very general terms; and if they were known, any plant-by-plant treatment would be futile, because with any possible manpower that could be mobilized, available time would play out before more than a small percentage could be reached and converted. Broad class analysis and treatment must therefore be resorted to if the situation is to be met. Priorities are quick in their effects. Conversions, in the nature of things, are comparatively slow. I have already gathered together enough information to break the problems down as follows:

1. Of the 184,000 plants, approximately 133,000, or about 72 percent, of the total employed less than 20 workers and employed in the aggregate about 10 percent of the total workers.

2. Investigation of 1939 census figures seems to show that companies classified as directly involved in metal-working industries which employed 20 people or less required, roughly, between 5 percent and 6 percent of the materials used by the companies in the same industries in that year. If 1940 were taken, the percentage would still be less, because while employment increased in 1940 over 1939, the number of new companies was not on the rise. Therefore, there were naturally fewer people employing less than 20 people in 1940 than in 1939. It is also logical to assume that the increased consumption of commodities in 1940 over 1939, as a result of impending or actual war conditions, was shared in to a lesser degree by the small companies than the large companies. It is therefore believed that small enterprises employing less than 20 people today are using substantially less than 5 percent of the raw materials available in 1941.

The CHAIRMAN. So that right there, between 5 and 6 percent of these materials means employment to 1 man in 10 that is employed. Isn't that correct?

Mr. ODLUM. Yes.

The CHAIRMAN. So that if you could solve that situation, you would have at least 10 percent of the unemployment out of the way?

Mr. ODLUM. Yes; that is, 10 percent of the employed could keep their jobs.

The CHAIRMAN. That is caused by the closing down of these little factories due to priorities.

Mr. ODLUM. That is technically, perhaps, a little too broad a statement.

The CHAIRMAN. If you don't solve that, though, these little businesses are gone.

Mr. ODLUM. That is true.

The CHAIRMAN. And that means that 10 percent of the people that are actually gainfully employed would be out of business.

Mr. ODLUM. That would be, naturally, 10 percent of the people in the same industries, which would be primarily the metal-working industries.

The CHAIRMAN. It seems to me that we could give up this 5 percent to meet that situation, couldn't we? Will you talk that over with Mr. Nelson and see if you can't get that practically worked out?

Mr. ODLUM. I have been formulating these things in my mind, and I really got them worked, over this week end, to a point where I thought they were something definite enough to submit.

The CHAIRMAN. That is a vital point there. If we can keep those 133,000 little factories at work—

Mr. ODLUM (interposing). There are four or five things that we can do, and that is one of them. I think this problem can be solved, and solved without any distress around the industry—with very minor distress.

3. The Army and Navy Departments, as a result of long accumulation of work as well as the so-called "M" day plans, have data in their Departments on approximately 25,000 manufacturing plants considered usable in some form or other and to some degree or other in defense work. It is understood that the information is very complete on about 12 to 15 thousand of these plants and less complete on the rest. It is also further understood that the services have outstanding orders with less than 10,000 of these 25,000 plants.

4. Metal-working manufacturing enterprises in the United States number somewhere between 40,000 and 45,000.

5. The Contract Distribution Division, except for the more general but less detailed and exact information that you find in the census, probably has the best record today of manufacturing plants in the United States. We have gathered together up to date, records on about 34,000, and we are adding to that at the rate of several thousand a month. That duplicates, of course, to some extent, and possibly to a large extent, the facilities that are on file with the Army and the Navy.

6. Spot checks and analysis of general data indicate that among the plants that could be converted from civilian to defense production, close to half will need financial assistance, either for working capital or for shifting about of plant and machinery. Practically all of these capital needs are submarginal as to their credit rating and therefore cannot be obtained through normal banking channels or even through the Federal Reserve banks. The mortality rate among these loans will be exceedingly high, and that, coupled with the amount of checking that must be done and services that must be done in relation to the interest ratio to the interest that is to be received, makes them unwanted loans by any of the normal banks or agencies that must be responsible to their stockholders, or whoever they are responsible to, in dollars and cents in operations.

To the extent that a small manufacturer becomes a subcontractor, a part of his financial requirements might be obtained as advances from the prime contractor, but the prime contractor is unable to do this today to anywhere near a satisfactory degree out of the funds that he has received against his prime contract, for the amount of such

advances is limited today to 30 percent, and the prime contractor doesn't want to pledge his own credits with the banks to pass along his own credit to the subcontractors. I found that by checking with a great number of them.

The CHAIRMAN. You can't blame them much for that.

Mr. ODLUM. No.

7. The limitations on the services with respect to competitive bidding, with respect to dealing only with established enterprises, and with respect to performance bonds in the way of spreading work geographically or dealing with many smaller companies or pools or association, and in giving small trial orders, the penalties imposed for delayed deliveries, even though those deliveries are completely in accordance with specifications, has made smaller companies reticent about taking orders and has made banks reticent about giving them credit.

8. Subcontracting in at least its training and settling down stages, as stated by most of the prime contractors and as proved out in England, is costly and delayed. That is because of the fact that if a man starts to become an assembler primarily and gets all of his parts from subcontracting, then his assembly line falls down if anyone of the subcontractors falls down on his job. Therefore, he has to do intensive supervision, he has, in effect, to overbuy so that he has an emergency insurance fund of excess parts to keep his own line running smoothly.

As to prime contracts already let, when the price agreed upon did not contemplate as much subcontracting as is now desired and where delivery schedules are fixed, the prime contractor has got to take on additional costs and risks. As to prime contracts hereafter let, the same situation will exist in fact unless the degree of subcontracting is imbedded in the negotiation and the costs and risks thereof are taken into specific account in the purchase price and the delivery date.

The CHAIRMAN. The prime contractor to some extent takes on a lot of potential labor troubles, also, with these little fellows.

Mr. ODLUM. Yes, he does. He is out depending on somebody else a lot of the time.

9. There are thousands of plants in civilian production that can be converted to defense production. To do this, they must be reached and their machinery and organizations studied in connection with the future procurement of Government orders direct or possible subcontracting from existing prime contracts. This takes time. Unless some way can be found to save them as going concerns from the sharp impact of priorities, many of them will close down, and their organizations will disintegrate before they can be effectively converted. This is, in effect, giving oxygen while the rescue squad is arriving and while the patient is made able to assimilate the new diet.

That is the way I analyze this problem, and I think that the very analysis of the problem presents the solutions of it.

The CHAIRMAN. It looks to me as if a 5- or 6-percent priority to take care of this 130,000 little manufacturers would be the first step that we could possibly take that would really do some good and let them go ahead and operate.

Mr. ODLUM. It wouldn't be a priority. It would more likely be an allocation.

The CHAIRMAN. Call it whatever you like, just so that they get the stuff.

Mr. ODLUM. I would say that if we could lay aside the class of small business that employs less than 20 men, so that we can concentrate on the intermediate class, not known to the Army, during the next 6 or 8 months, then we can clean up that intermediate class and approach what should be done about the smaller class or any other part of that afterward. I think that you really have four classes, as I have analyzed it, to deal with. You have first the class of plants that are already known to the Army and the Navy, with full information on hand. It seems to me that it is a duplication of a less efficient organization doing the work that the more efficient organization could do, and therefore, that the primary responsibility in getting work into those particular plants should rest with the armed services themselves. They know what they have to buy. They know the plants that are there available to make it. And as to those plants, the primary responsibility should be theirs. Of course, we will have to do things to help.

Mr. FULTON. Secondarily, however, you do recognize a responsibility to see why the Army and Navy were unable to use the 10,000 plants in their own survey which they, theoretically anyhow, had previously allocated to war requirements.

Mr. ODLUM. Yes.

The CHAIRMAN. If the Army and Navy had been in a functioning mood on these small businesses, it wouldn't have been necessary to set up your organization. They have you set up to see that they perform. I hope you will do it.

Mr. ODLUM. Yes.

The CHAIRMAN. Instead of having 56 companies get all these contracts, let's see if we can't have 5,600, anyway.

Mr. ODLUM. Of course, they have about 10,000, as a matter of fact, and most of the orders are in the 56 now; but I might add to that that there has been quite a bit of thinning out of the work, and, as one little indication of how it is growing, the applications by subcontractors under the Army and Navy orders for priorities for scarce materials is now around 1,200,000, and, of course, not all of them have to ask for priorities, because they may have raw materials on hand.

The CHAIRMAN. I am going to take some credit for this committee for that. I think we have been pounding on them so much that they have really had to go to work on it. I think that is all that put them to work, too.

Mr. ODLUM. I have set down, as well as the analysis, what I think the solutions are, but I am up against this little problem. I don't know enough about the various agencies and the various responsibilities in Washington to know whether the solutions that I present cross wires with anybody or not, and, therefore, I kind of hesitate in talking about solutions. They seem to me to be so patent on their face, if you divide the problem—

The CHAIRMAN (interposing). Let's put them in the record. What we need is a little common sense around here. Maybe you are going to bring it in. Let's get those solutions in the record. I don't think it is going to hurt you, and it may give you a chance to solve the whole problem. Maybe that is what we are hunting for. I don't want to

embarrass you or to put you in any embarrassing position, but I think maybe a little common sense is what we need. Let's have those solutions.

Mr. ODLUM. Well, we are discussing them, anyway, so I might as well get them in exactly.

The CHAIRMAN. Go ahead.

Mr. ODLUM. I would like to present them accurately, if I am going to present them at all.

The CHAIRMAN. Present them. I am urging you to do it. I will take the responsibility for it.

Mr. ODLUM. The solutions are along the following lines:

1. For a period of time, say until June 30, 1942, set aside in a separate category all manufacturing enterprises that in the past have and now do employ less than 20 people. By allocation allow them to carry on business to the extent necessary to keep them as going concerns.

The CHAIRMAN. That is horse sense.

Mr. ODLUM. These small enterprises are in a true sense the backbone of the American way of life. They are the support of our smaller communities. They do not use much raw material in the aggregate. In these cases the raw material bears a low ratio and labor a high ratio to the finished product. They represent a class most difficult to convert to defense production and a class that, if converted, would give the least direct contribution to defense production. By setting them ahead 6 or 8 months into the future as a problem, the available energies can be intensively employed in the meantime to the larger companies, whose diversion will give the greatest benefit to the defense production. This is merely an orderly doing of a job that is so big that it can't all be done at once. It is doing more important things first, and less important things later, rather than trying to do them all at the same time and failing in it.

The indications are that it would take less than 2 percent of the 1942 estimated available supply of scarce raw materials to carry this whole class of small manufacturing companies during the first 6 months of 1942 on the basis suggested.

The CHAIRMAN. That is 130,000 small manufacturers and 10 percent of them gainfully employed. It sounds like common sense to me.

Mr. ODLUM. Well, all of the 130,000 are not affected by the scarce materials. That will be found primarily in the metal-working industry, and there are between thirty and forty-five thousand of those, all told.

The CHAIRMAN. I see.

Mr. ODLUM. In terms of effect on production of defense articles, it would be even smaller than this 2 percent, because, in the first place, part of the product of these small manufacturers feeds into the defense stream anyway, because it is sold to others and gets back one way or the other. In the second place, you would certainly require all of these small manufacturers to use substitutes wherever substitutes were available, and you would also require them to take on any defense work that they can get on their own, so that you get down to the final analysis that this 2 percent is cut—you can't be too definite about it—to a very insignificant figure, and with it you keep a whole

group alive. That is the first job that would be caught because it is the last that you can reach.

The CHAIRMAN. That is right.

Mr. ODLUM. I have picked for this class allocation companies under 20 only because in the time that we had allowed—and we were approaching the breaking down of Census figures—that is the figure that came back to me. Although I had originally asked for the figure of 25 or less, it might be that when we get the figures, we will find, instead of 20 or less, we are getting 25 or 30 or less, and furthermore it might be a graded scale. You might start with the little fellow and give him 90 percent and then the next fellow up, so that you can keep a larger group of them on a going-concern basis with part of the raw materials.

2. As to the plants that are in the files of the armed services as known and analyzed potential producers for the defense program, place the primary responsibility on these armed services for getting the plants and the work together. This will enable the Contract Distribution Division to concentrate on that indefinite but important middle field between what is well known to the armed services on the one hand and the small companies employing less than 20 people on the other hand. Specifically, this could be worked out in practice almost entirely by the adoption of a rule that whenever a proposed purchase comes from the armed services to the O. P. M. for approval which involves the building of new plant or machine tools or which is to be awarded to a company that is already fully occupied with defense work, it shall be accompanied by a statement from the service involved that there is no existing idle plant or machinery listed which is capable, in the opinion of the service, of doing the work in the manner and the time needed, or that the service would be willing to have undertake the work without taking a serious risk of interfering with the defense program.

Whatever the exact formula adopted, it should go to and cover the basic principle that the armed services, with their own talent and forces and with their knowledge of the procurement requirements, should themselves cover the plants well known to them.

3. As to the intermediate field, which might involve 30,000 or more plants and which no matter how approached—in groups or over-all—cannot be converted to defense work except in the course of months, allocate an emergency pool of raw materials which, by some procedure, probably by certification on the part of the Contract Distribution Division, can be allocated to companies to keep them alive on a going concern basis with an assembled organization until they can be shifted over to defense production. A shut-down plant and disbanded organization will be hard and oftentimes impossible to revive. A shifting employee population is not good. In direct terms of defense production, it would be best to keep these plants temporarily alive so that they may soon become effective defense producers.

I am estimating that it will take 6 months to get this group of plants converted if we can concentrate on that group, but, of course, the process will be continuous and it will be cumulative. Therefore, the supply of scarce raw materials needed for this emergency shift-over pool would not be great. We are using steel and copper

and like materials available now not for current production, but to build plants so that in 1942 and 1943 and 1944, we will have greater production. If that is sound practice, and I think it is, then it is just as sound practice to use some of the 1942 available raw materials to keep plants alive temporarily which we can very quickly get into effective defense production.

The CHAIRMAN. That is just good, common sense. That is all.

Mr. ODLUM. 4. As to this intermediate field as well as many in the field designated for primary attention by the services themselves, provision must be made for financing of needed working capital and plant changes when such financing is not available through normal and existing channels. That can be either (a) a special fund created for the purpose of making such loans or (b) a guarantee of some reasonable extent of loans made by banks, because speed is of the essence. It is believed that we should use the existing available machinery and therefore, that the guarantee basis is the best basis to adopt.

The CHAIRMAN. Senator Mead has been talking about that for the last 6 months, and I think he is on the right track.

Mr. ODLUM. Yes, I do, too. If you guarantee too small, you don't get the loans out, and if you guarantee too much, you get improvident conduct or open the way to that. So I have tried to figure out what I think would be the fair field, and I have come to the tentative conclusion that to guarantee about 20 percent of those things on certification from the Contract Distribution Division would be about right. It seems to me if you do that, that probably an interest rate of 4 percent would be right, and if a higher rate is right, then 4 percent is charged. Then the excess certainly should come back into an insurance pool to offset the overall losses. There will be losses.

The CHAIRMAN. There is bound to be.

Mr. ODLUM. And because the mortality is very high in this class of loan, and I have tried very roughly to figure out what I think the overall loss would be, and I think the overall loss might run from twenty-five to thirty-five million dollars.

Mr. FULTON. But that would be taken care of by this excess of 4 percent over the regular interest rate.

Mr. ODLUM. It wouldn't be taken care of by that. It would be taken care of in part by that if you followed that plan. I am not ready to recommend that that plan be followed. I think it might be well simply to get our facilities to work to simply try to keep the losses down as best we can consistent with good defense effort, and let the losses—over-all losses—be a part of our defense cost.

5. The services should be authorized to advance more than 30 percent to prime contractors when necessary to help them or their subcontractors finance the work.

The CHAIRMAN. I think they should.

Mr. ODLUM. This will to that extent make bank financing unnecessary. The services should have the right to reopen contracts already let, to compensate for the cost of more subcontracting than originally contemplated and thereby speeding up of deliveries. The services should make subcontracting a specific part of any future negotiations. The degree will vary, of course, and there will be some cases where subcontracting is impossible, but every case should stand on its own

merits and whatever is worked out should be a part of the policy of that negotiation and spread out to some degree or other in the contracts.

Mr. FULTON. And the subcontractor should include some of the profitable work and not just the unprofitable work.

Mr. ODLUM. The subcontracting should, of course, cover the work that can be done by the smaller fellow, and that is going to be the easier work, and it has to be the profitable work or you will never get subcontracting done.

Mr. FULTON. But some large industries have been inclined to subcontract only that part which they could not themselves do as cheaply.

Mr. ODLUM. I have heard that said, and I appealed to them, both by letter and by radio, not to do that, to pass on their simpler work and to pass on their profitable work. There is no sense in trying to pass on unprofitable business. It couldn't come back to them in the first place, and in the second place, they would just kill the subcontractor who could feed into the defense.

Mr. FULTON. Do you propose, in addition to that advice, to check on it to find those cases where they do?

Mr. ODLUM. I don't anticipate very much trouble on that, because I really believe in the principle. We have talked about 56 big contractors, and we know who they are, having this enormous amount, but after all, they see the need for this policy. I have talked to a lot of them now. They see the real reason behind it, and that as a national policy, irrespective of how it may affect their current deliveries, if they can meet their own contractual problems, they must pass on this work and get everybody at work.

I would like to say in passing that the Sperry Co. have led the way, partly because their work adjusts itself to a degree to subcontracting. They are up, I believe, to about 80 percent of their total work on subcontracting. I would like to say that the General Electric Co. has organized on a very broad basis to do intensified subcontracting, and they have sent out a brochure in their last dividend payment to their stockholders, talking all about this subcontracting policy of spreading work, and they are now digging up plans and specifications to bring in to us so that we can find some subcontractors for them that they haven't found on their own. The Westinghouse Co. have already brought us in \$5,000,000 of business that they hadn't found a subcontractor for, and we succeeded, in the course of about 10 days, in finding somebody away out in Illinois to do that work for them. So, it is taking hold. It is going to take time.

Mr. FULTON. You will check also in the cases where they may not be doing it and will see to it that those who don't—

Mr. ODLUM (interposing). We checked with every one of these 56 companies as to the amount of subcontracting they were doing, and as to their general intent, whether they were going to organize this as a policy, whether they would appoint some executive to supervise and check with us as liaison officer, and also have asked them what stood in the way of subcontracting. I have had that all analyzed, and you will find that the two major points are either inability to finance on the part of the subcontractor or that he doesn't have the equipment, that he can't find a subcontractor with equipment to do

the work that they need to have done. We think we can solve both of those, given the proper law on financing and given a little time to scurry around the United States and dig up plants.

Mr. FULTON. Have you found any trouble due to specifications by the Army or Navy being of such type that it would require the work to be done by one or more of the bigger companies because of patent or other situations?

Mr. ODLUM. I have found this true. I was out in Chicago opening a clinic last Thursday, and that noon I gave a talk to an association of municipalities. After the talk, they opened it up to questions. The only question asked was one by a prime contractor who was present, and he asked what happened to them when they spread their designs out to get these subcontracts and they were under a law that gave them 20 years in prison for divulging these specifications. That was a new one on me. But Colonel Hare was there also, from the Army, who is the head of the Army Contract Distribution Service, and we both saw the point. I said I thought that the bits and pieces could be shown that didn't show the assembled whole, such as the bomb sight or some machine gun. If that can't be done, certainly we want some change in the rules or regulations so that Douglas, for example, or Lockheed, can take a trim tab for a tail and go out and show this to the designers that come from the Army.

If my analysis is correct, if we apply these work-outs that I have suggested, breaking down those parts, we are going to be able to get the industry kept at work in one fashion or another. We have heard—at least I have heard—that in the case of England, when they shifted over from what might be called business as usual to all-out defense, 20,000 of their civilian plants died overnight, and it has been inferred and assumed that because we have a lot more plants in the United States than England has, our mortality would be that much greater. I have never said that, and I have never thought it. I think that it will be much greater unless we adopt some over-all approach to this thing so that we can handle it by its various parts.

The CHAIRMAN. You think that suggestion to take care of these small plants that employ under a certain number of people by just an allocation of materials is one of the principal ways of meeting that very situation?

Mr. ODLUM. I do, because it sets aside for future treatment something that doesn't cost as much in terms of current production, and I don't think that we are going to have many fatalities if we approach this thing this way. We are going to find a class of companies that are in metal-working business and that cannot be converted to defense, and therefore the issue is squarely raised as to what is going to happen with those particular companies, what is the national policy going to be. There seem to me to be three things else that you have within your power to give, that is, enough raw materials to carry on and keep alive until they can come back into the vital life of the Nation after the war again; or, two, if you are not going to give them the raw materials there is something else that you have within your power to give, that is enough money to keep them together and maintain them as companies or as plants with some little key organization so that they will be ready to come back into the economy after the emergency; or, three,

you can let them die. I don't think they should die. I would like to give one example of one we have checked that I think brings out this point, and that is the jewelry workers. They are mostly up in New England.

There are about 75,000 direct employees there and another 100,000 that are working dependent on that industry, and it can't be converted. It is not qualified for conversion except to a small degree, 15 percent. They can get along, they can maintain themselves with around not more than 4,000 tons of brass a year. They can hold themselves as an industry. Well, that is really 600,000 people dependent on that industry, or roughly that. Should we give them 4,000 tons to keep that whole industry alive, even though it takes it out of the defense program, or should we find some financial means? It seems to me that an industry that is laid aside today as a plant, a plant that is laid aside, is in no different category than a farmer who has had his crops trampled down by troop maneuvers or some householder who has had his property taken over for camp purposes. They are both taken temporarily, and there are superimposed more vital interests of the Government.

I raise the point without trying to settle it. I just think it should be raised.

The CHAIRMAN. It is worth consideration.

Mr. ODLUM. Now I would like to say that completes my statement, but I would just like to say, having given what I think is the proper approach, that I don't know that I am primarily responsible for putting into effect all of those approaches. I don't know who is. I am sure that Don Nelson as a part of priorities has something to do with it. I am sure that Leon Henderson has. Whether it goes beyond O. P. M., I don't know. I will say this, though, that some 2 or 3 weeks ago I took up the subject of allocations as an emergency pool with Don Nelson, and I know he is studying it, and that he is sympathetic to the whole thing.

I have seen public statements that he has made that something should be done concerning small business. I know from statements he has made before this committee and elsewhere that he is working on a system of allocations, and therefore I believe that there is nothing that I have suggested that he probably wouldn't in general principle approve. I am only sorry that I have had to state it this morning before I had a chance to talk it out. I think Leon Henderson's organization has already been studying this general subject.

The CHAIRMAN. I think you are on the right track, and I think that you should make an endeavor to get the cooperation of the people who are responsible for carrying it out.

Mr. ODLUM. That is the point I am trying to make. There has been no lack of cooperation, and I don't want the slightest intimation in the record that there has been. It has just been lack of time on my part.

The CHAIRMAN. We were anxious to get this information in the record.

I was informed that you had it, and that you had a plan, and it is time a little common sense is being put to work in this set-up. I believe you have a program here that can work and that will meet the situation if it is put into effect.

Senator MEAD. Before you concluded, Mr. Odium, I wanted you to look at a finished plant that is located up in Erie, Pa. I am not interested in the plant. It is outside of my State. But it is one of a great many plants that have been brought to my attention as a result of my association with the problems of small business. Now, the Government let contracts for 25-horsepower engines to a company located in one section of the country, and the cost of the engines per unit was \$114,000. This plant, which is modern in every way, which I ran into by accident while in Erie attending a funeral not long ago, is fully equipped with machinery: it is modern in every way, and it is inactive. It is inactive not because of the defense program, but perhaps because of the fact that the family is getting out of business. They came down here as a new organization that attempted to take over the plant: they submitted a bid to a Government agency just a few days ago for 50 of these engines, at a cost of \$112,000, which is \$2,000 less than the former award made to a company on the Pacific coast. They were denied the contract, as I understand it, because the bid was too high. I am not interested in having them get the bid, but I just wanted you to see the size of that plant and notice the list of machines and equipment which they have in that plant and realize how much of a shame it is to have that a laggard in our defense program.

Mr. ODLUM. I agree thoroughly with you. I don't know anything about this plant. From the picture, it looks like it is a plant well maintained and equipped to do something or other.

Senator MEAD. And there is a list of machines there—very necessary, essential machines—10 pages long, that are in that plant, and I understand there are no personnel now there at all except the guards and custodians and the watchmen. Now, plants like that all over the United States ought to be pulled into this program even if the Government had to go over and seize them. But something ought to be done about showing them some consideration in connection with the awarding of contracts. If it is established that it is a big plant, that it has ample machinery, that it is a going concern and has the personnel and will take no amortization subsidies, then the Government ought to give it special consideration to get it in under the active defense program.

Mr. ODLUM. I agree, Senator. I would like to ask one question that may bear on this: Has this plant heretofore made the type of thing that it was bidding on?

Senator MEAD. I don't know.

Mr. ODLUM. That is one of the problems we have to get around, you see.

Senator MEAD. There was no controversy with reference to their ability to do the job. The controversy waged over the cost per unit. However, I don't want to bring their troubles to your attention.

Mr. ODLUM. They are a part of my troubles.

Senator MEAD. Well, this is a specific case in which I don't want to ask any special consideration. I think the general order that you send out ought to cover this situation along with other situations. But I just bring it to your attention, because it is one of a number of similar cases that have been brought to my attention. Another one is the Harlow Aviation Corporation on the Pacific coast.

Mr. ODLUM. I know that company.

Senator MEAD. I had a chance to go there. They were completing their last ships for the Dutch Indian Government, and they told me they would have to lay off their personnel and close the plant down, and it was such a fine, compact little plant, and they could really do the work, and they were doing the work for a foreign country.

Mr. ODLUM. Well, I know that company and I know the product that it has turned out, and we in our division heard about that situation last week. I was just informed that on Friday of last week we sent a wire to some of the larger aviation companies on the coast to check its facilities so that we might discuss with them what could be made.

This plant is—do you mind if I put the name in the record? I want to check it.

Senator MEAD. All right.

Mr. ODLUM. It is the Erie Machine & Boiler Co.

Senator MEAD. I don't care to have you do anything for the plant because I brought it to your attention. This is the point I make and what I would like you to stress: In the award of contracts where the work can be done, where the plant is not now working, where a lay-off is imminent, where its use will obviate the necessity of further construction, of further utilization of new machinery, of further tax subsidies, stress them, even give them a bonus, to bring them in the productive side of the defense contract service.

Mr. ODLUM. I agree. This is the type of plant, if it has never been making those things before, that should, in my opinion, be given what is known as an educational order to find out what they can do and what their costs will be, so that they don't have to take a chance.

The CHAIRMAN. It is the proper place for an educational order.

Senator MEAD. They tell me there isn't any doubt about their ability to make it. The fight is over the cost per unit.

Mr. ODLUM. Yes.

Senator MEAD. And I guess the agency of Government feels that they ought to be constructed at a lower cost now than was the case sometime ago.

Mr. ODLUM. Maybe they can construct at a lower cost. We have to find out by letting them make a few.

Senator MEAD. But over and above granting the contract to a concern that already is in the program, I would like to have some rules and regulations and some attractive features that would bring those not now in the program into the program, so that we could cut down on the construction program and increase our production program.

Mr. ODLUM. Yes. There are some curious things developed, of course, and I am working this out. For example, it serves no particular purpose as a whole if we find that a plant needs work and we get an order for it and then find that the order would otherwise have gone to some other plant that also needed the work. That has already developed in one or two cases. Another curious thing has developed. The Army quite properly, on its own, in buying certain things that could be made in quantity lots, like blankets or uniforms or what not, split them up into small units; and yet we find, where

people have been making them for years, the splitting up in small units has really thrown people out of employment there. Those are things that have to be adjusted as time goes on.

Senator MEAD. Another point that occurred to me when you were categorically listing the four different divisions in the defense program as it comes within your jurisdiction was this: The second and third classes might be considered in connection with our economic warfare activities. I have been reading lately about the emphasizing of our economic warfare activity and its value in combating the Nazi influence in the market, which we might just as well usurp, and which will be very helpful for us to usurp. So I was thinking, in the second and third categories of manufactures, some consideration might be given to a further emphasis of the economic warfare so that they could manufacture, not necessarily military commodities but commodities that would do us a considerable amount of good in the economic warfare field.

Mr. ODLUM. Well, I agree thoroughly. I think probably economic warfare to date has been more along the lines of preclusive buying than anything else; in other words, of getting in other sectors of the world items that might otherwise fall into the hands of people who could use them against us. But I think economic warfare in its broader phases involves, and probably everybody well realizes it, an after-the-war problem of economic expansion, and I think bumps right up against this. The fight, the issue, of course, today, is whether we are going to take away from defense production some raw materials that could go into tanks and airplanes to allow these factories to produce something that either flows into our civilian life or goes abroad to protect our interests abroad, and I think that it is all a question of dovetailing the whole thing together and finding that fine point of balance.

There has been, perhaps, a tendency to treat production and national defense as synonymous terms. They are not synonymous terms. Production is a very important—one of the most important—elements in the national defense, but not the only one. You have morale, you have economic system, you have maintenance of it, and I think that it would be a sad plight if we started down a road that left us facing an after-war picture of a lot of small companies that have gone to pieces so that they cannot be brought back into production, and concentration of production in a comparatively small number of larger plants. That is the very broad phase of the thing, but I think it never should be lost sight of.

Senator MEAD. I think the big job for you—in view of the fact, as the chairman explained, you are doing a fairly good job, and you have every reason to do a good job, because you are backed and reinforced by the President's Executive order—is to get your organization whipped into shape. Somebody or some group of bodies ought to be designated to complete that Nation-wide organization as quickly as possible, for this reason: I imagine that I have 25 to 50 people and from 50 to 100 telephone calls in my office emanating from New York every day as a result of their groping around in the darkness trying to find out something about priorities, about national defense, and about small business; and if we had this Nation-wide organiza-

tion set up so that we could send them into this, that, or the other community, so that the leadership in these towns could bring them into clinics and organize them, give them the organization in the field. It would certainly give you ample time to do a little work like you had over the week end, and it might do a little along that same line for us.

Mr. ODLUM. My time has been given 95 percent to the drudgery and the spade work and 5 percent to the things that I should be doing. If I could get 4,000 people working for me, I could do 10 times as much of that other type of work, which is completely necessary, as I can with 400. But here is my problem: I have offices, and I have to close some of them. I can't pay the men; I have no budget. I haven't any space. Tomorrow I am getting a police station, I understand—one floor in one, rather—in Washington. I am going to move over and try to get going.

Senator MEAD. Well, I think this committee ought to emphasize the necessity of the expeditious organization of your set-up, and it ought also to get hold of the Budget authorities and find out why they are not more liberal. That is another trouble that we have. You have to take care of this one phase of this national-defense activity, and you are in the same boat that we are, only in our offices we have to take care of all the military and peacetime activities of the Government as they interest the people of our States. I represent one-tenth of the people of the whole United States, and they are interested in your phase of the activity and in every other agency of Government, and they just swamp us. Well, you are having a little trouble with the Budget, and my trouble is with my colleagues. They provide me with the same personnel they provide the Senator from Montana or Nevada, where they have a hundred thousand people, and they say, "Well, now, you can take care of 14,000,000 just as easy as we can take care of 100,000"; but you can't do it. You need the money, and if the Budget does not provide the money for you, this committee couldn't do a better thing than to find out from the Budget why they are not putting this organization into shape so that it can handle this problem.

Mr. ODLUM. I am not critical of anybody, because when I came on the scene the Budget for the period had already been adopted, and therefore I had to come in on the new Budget. It takes time, what I call some of the red tape that I hope we can cut through.

Senator MEAD. It is hard to realize the importance of your agency and the economic loss that is sustained every day that your agency is held down.

Mr. ODLUM. I have two things to do primarily. You can forget everything else. I have to find out what this 17 billion is, still to come up, that the Government is going to buy under present authorizations that hasn't been committed for, and then I have got to find plants to do it. Now, both of those are enormous jobs and will take an enormous quantity of very qualified people, and I will be on top of this job in another 2 months; but with time, that goes on, and Budget and space and breaking those things down and getting surveys of plants, I will make progress every day; every day I am ahead of yesterday.

The CHAIRMAN. Let me tell you something: This committee, I think, has information on which we will be willing to let you alone for 60 days and let you get on top of the job.

Mr. ODLUM. Good enough. I have three things that have to go through Congress. I have to get the census and this new law which lights the path and breaks down precedent, and I have to get that financing bill, which I am not ready to recommend in terms yet.

The CHAIRMAN. The committee will recess until 10:30 tomorrow, when Mr. Westbrook will be the witness.

(Whereupon, at 12:10 p. m., the committee recessed until 10:30 a. m. Tuesday, October 28, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

TUESDAY, OCTOBER 28, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:30 a. m., pursuant to adjournment on Monday, October 27, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senator Harry S. Truman (chairman).

Present also: Hugh A. Fulton, chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Currier, you have been sworn, haven't you?

Mr. CURRIER. Yes, sir; I have been sworn.

The CHAIRMAN. Take that seat.

Mr. CURRIER. May I have my son with me here, and also may I stand?

The CHAIRMAN. If you like.

Mr. CURRIER. I prefer to.

The CHAIRMAN. We always like to make it as comfortable as possible for the witnesses. That is the reason we provide the chairs.

Mr. Currier, you have heard the testimony here as regards your ability or inability to carry out this contract, and if you have a statement to make on that subject, now is your chance.

TESTIMONY OF PATRICK J. CURRIER, CURRIER LUMBER CO., DETROIT, MICH.

CURRIER LUMBER CO.—LABOR RELATIONS

Mr. CURRIER. So far in this hearing you have listened to some carefully prepared statements said to reflect many sides of the issue in question. With your permission I prefer to talk not entirely from a formal statement. I have always been a disciple of plain talk, direct from the shoulder, with all the unvarnished facts in plain sight on the record.

I brought no labor question to Washington. My organization is working at peace and harmony with the management. We had no problem with labor whatever. When I arrived here, a controversial labor question was introduced, as I understand, by representatives of the O. P. M., and I am at a loss to know why it has been found necessary to have this controversy. My reaction to this hearing and all the events before it, is one of absolute amazement; I am astounded at the absurdity of this situation when I look it straight in the face.

Here is the condition: A patriotic American employer of patriotic American labor making a sincere effort to take a vital part in the important business of defending our way of life. In this effort we submitted a proposal to build houses for American workingmen at a price representing a saving to the workingman of at least \$700 a house. We guaranteed to the Government and to the occupants that these houses will be excellent and will be produced under union working conditions. There has been no question about wage rates, and conditions on this angle have been taken care of in the contract. But we are denied this right to make this contribution. I maintain this would be ridiculous for any reason, but it is absolutely absurd when this denial is based on nothing more than a greedy desire on the part of one ancient factor in organized labor to perpetuate itself and the meek assent of a spineless agency which chooses to play an appeasement game with the rights of my employees and my own rights. If it were not a serious and far-reaching situation, pregnant with dire possibilities, it would be laughable.

During my stay in Washington a whirlwind which has taken me from the offices of America's highest legislators to the opinions of the bootblack, I have heard a great deal of solemn talking and head shaking about the rights and privileges of C. I. O. and A. F. L. So great has been this cry, so insistent its disciples, that I am almost convinced that the basis of our Government is organized labor.

Is it not time that the American people realized they have a bigger union? Have we entirely forgotten the most important union of all, the union which is now the last frontier of freedom? Believe me, gentlemen, there is a bigger union, a sounder union, a more fundamental union, bigger than C. I. O., bigger than A. F. L.—it is the U. S. A.

I have listened for days to the pious platitudes of those who, when faced by an honest choice between a "Yes" or "No" answer, ducked behind the boast of a lifetime of service and experience in organized labor. I also cannot understand why a man—why people of the type I am referring to, who have always been the center of controversial subjects, particularly labor controversial subjects—should be appointed where he can do so much damage to the American people. I feel that his position is not one of unity but rather that of causing disunity.

I duck behind no such idle boast. I say that it is time that we realized that if C. I. O. has rights and privileges and A. F. of L. has rights and privileges, they must always and everywhere be secondary to the rights and privileges of the union to which we all belong, the U. S. A.

Is this Union worth while?

The lessons of Valley Forge where it was born would lead us to think so. The valiant Washington and the brilliant Jefferson thought that it was worth while. Later in our history we drenched our soil in the blood of a 4-year Civil War to establish and preserve this Union. Lincoln did not appease. He saw clearly that there were some fundamentals inherent in the U. S. A. and vital to it and he fought for them.

This U. S. A. has never needed the benediction of patrons like Marx, Lenin, Nietzsche; it has lived because it is fundamentally sound. This Union which is old, yet new, will never intimi-

date those who refuse to join; it will not extort fancy "initiation fees"; it will not pursue its purposes over a ruthless road of murder and force. It will survive now, as it survived in the past, girded in the patriotism of its followers, its members won by justice and love and freedom.

Gentlemen, before we go into the maze of details surrounding this particular case, let us for a moment come out of the woods and face fundamentals. Just what is a union? Just what is it supposed to do? Why does the idea of "union" so impel our thoughts and actions?

"Union," says Webster, is "the act of combining or making one." Obviously, the purpose of such combining is to promote the greatest good of the parties to the union. It is that power of cohesive action that makes us desire union.

Are not all these values to be found in the fullest measure in that greatest of all unions, U. S. A.? Is not this basic union more pleasing to us, more fundamentally important, than all the petty cliques within it which form wheels within wheels? Are these little wheels to clog the entire machine and render it powerless?

That, gentlemen, is the issue before you. Let us not duck the answer. Let us have the courage to face the facts. Let us realize that the union on trial here eventually is not C. I. O., not A. F. L., but U. S. A.

Now, I have no desire to waste your time. I realize it is valuable. I have here many exhibits pertinent to the case. With your permission I will introduce them into the record. I would like the privilege of commenting on each and telling you what the exhibit contains and how it pertains to the case at hand. I have no desire to take more time than I possibly can, but I do feel that I have much detail to submit to you in view of the previous testimony.

This is a document of which I am proud, and one which stirs me as I know it will you. It is an appeal written and published May 11, 1941, by employees of the Currier Lumber Co. at their own expense. I would like permission to read it. The reason I introduce this, gentlemen, is because so frequently during this hearing a certain strike that occurred in Detroit early in May has been dealt with at length. As I said previously, this is a full-page advertisement that was inserted in every magazine or newspaper in Detroit, at the cost of possibly \$3,000, and to which each one of the Currier employees contributed. I had nothing to do with it. They handled it themselves [reading Exhibit No. 139]:

LET FREEDOM RING

The American workman is blessed above all workers of the world. Chief among these blessings is the right to make his own decisions.

This fundamental right is guaranteed every American by the Constitution of the United States and by the sound moral reasoning upon which this democracy is founded.

We, employees of Currier Lumber Co., prize this right above all our possessions.

But in spite of all the safeguards of government and law, agitators from outside our midst are using strong-arm methods to deny us our rights.

They are denying us the right to make our own decisions.

They are denying us our right to go about our work as we will.

They are threatening us, collecting in mobs to taunt and ridicule us—they are ganging up in ruthless brutality to beat and pummel us.

We think the people of Detroit hate the cowardice and flagrant disregard of law and civil liberties which lie behind these actions.

We think the people hate these actions, regardless of who the perpetrators are.

The law guarantees us the right to join or to refrain from joining any group we choose. We, the average American workmen, have the moral and legal right to decide. Only those who are in fundamental disharmony with America and its ideals would deny us this right by rule of the club and fist.

It is not the way of Americans to gather in surly mobs, fortified by clubs and brickbats to beat workmen.

This is the way of the brute and savage. This is the way of men who believe in rule by might and violence.

Yesterday afternoon, for example, 2 Currier Lumber Co. employees were driving to the plant. A mob of nearly 100 men followed them for several miles, waited a strategic moment, and opened fire with bricks and stones, forcing the truck to the curb. Quickly the mob swung at the driver and his helper, tried to smash the truck, and then vanished when a crowd gathered.

These hit-and-run mobsters must not be allowed to roam Detroit streets terrorizing workmen, beating men, and savagely damaging equipment.

Detroit is one of the few cities in America where the average workman can own his own home. We are helping make this possible. We will continue to make it possible if the racketeers and musclemen can be kept out of our industry.

This is a job for the public. We need your support in this battle for our rights and our freedom. Won't you please report any such occurrences as the one described above? Cooperate with the Detroit Police Department which is doing a wonderful job against terrific odds.

At Currier Lumber Co. are employed approximately 25 percent of those working in Detroit's lumber industry. We are helping house Detroit. President Roosevelt has declared Detroit "a defense area in which an acute housing shortage exists or impends." We consider it a patriotic duty of every American to heed his President and give his utmost to solve these vital problems.

We are trying with every ounce of our energies.

Yet in the face of these facts—and in spite of the gravity of the situation—certain agitators who give nothing to the common cause deny us our rights, and maliciously interfere with an important program.

These are the sincere thoughts of Currier Lumber Co. employees—not one of whom belongs to any group involved in a strike—whose one aim is to work peacefully. We, of our own accord are putting our case before the American public because we know it will find a democratic reception.

Each Currier worker has contributed to the cost of this advertisement. We wish we could sign our names, but we fear exposing our families to brass-knuckle revenge. We have filed with this newspaper a list of our names, open to those in authority.

(The advertisement referred to was marked "Exhibit No. 139" and appears in full in the text.)

MR. CURRIER. Now, gentlemen, I just beg to comment. The charge has been made why my employees a few months later joined a labor organization, and the labor organization was not the American Federation of Labor Teamsters, who were responsible for the actions mentioned in this ad. Did the authorities in Detroit and Michigan heed this urgent cry from its people? I am sorry to say, no. Did this warning, this plea for peace, turn the hearts of cold-blooded marauders posing as unionists? No; it did not. In spite of this, violence continued. It has been said there is something queer in our employees joining the C. I. O. After hearing this message read to you, do you still find it queer that these men sought the protection of a national labor organization? And I might add, gentlemen, that I heartily agree in their choice, and when they had to join the labor organization due to the fact that they could not entirely be governed by their own wishes because of the lack of support of law and order in this Nation, they must certainly make the decision. They couldn't continue; months later another strike

would occur. My men would have to suffer injury and death, possibly. Certainly they had to join a labor organization. They selected the C. I. O. I am heartily glad they did. At least, I feel that they do their utmost to represent the thinking of the American workingman, and I don't condone their faults, because there are many millions of faults, but they at least are not racketeering all the time. They may have used much poor judgment in the execution of their efforts to serve the workingman, but I believe they have tried.

Exhibit No. 140—again I request permission to read this brief exhibit. Of course, I am now reminding you, gentlemen, that 3 days after that appeal was made to the public, the rioting occurred, not at the picket line at our plant, nothing occurred near our plant, but 2 miles from our plant where an attempt was made by about 300 mobsters, saying they represented A. F. L., against about 30 of our men, and a fight ensued in which I understand there was a man killed. His name was Arthur Quesenberry. I have no evidence, and reference to the inquest held later gives no evidence, I believe, as to how he was killed, who killed him, and there was grave doubt as to where he was killed. It was assumed, though, that he was killed in a combat over on Gunston Avenue.

At that time the A. F. L. had 300 men and we had 30 who were trying to handle the crisis.

The CHAIRMAN. Mr. Currier, this is interesting, and we have no objections to your making the record if you feel like making it, but the thing that this committee is interested in is, Are you running a union shop?

Mr. CURRIER. A completely union shop.

The CHAIRMAN. How long ago since that was made a complete union shop?

Mr. CURRIER. At the end of the first week of September.

The CHAIRMAN. How did it come about at that time and not sooner?

Mr. CURRIER. The men had been organizing among themselves since June. They didn't finally consummate their arrangement until early in September.

The CHAIRMAN. Did you raise your rate of pay after the union was organized in your shop?

Mr. CURRIER. Yes; I did.

The CHAIRMAN. You had not been paying the same rate of pay previously to the organization that you are now paying?

Mr. CURRIER. I have tried.

The CHAIRMAN. How much difference was there in the rate?

Mr. CURRIER. I believe it was a week's holidays, and based on what it is now, I think it is a difference of about a nickel an hour, in some cases 10 cents.

The CHAIRMAN. Just about 5 cents an hour?

Mr. CURRIER. That is over a period of several months.

The CHAIRMAN. In making this bid for this housing program, can you carry out the contract on the basis that you have made the bid if you are not interfered with?

Mr. CURRIER. Yes, Mr. Senator; positively.

The CHAIRMAN. Can you make bond that you can carry it out?

Mr. CURRIER. We have \$750,000 bond we have offered. We are willing to double it.

The CHAIRMAN. Those are the things the committee is interested in. I have no objection to your making any sort of record you want to make, but I think the history of this case is pretty well known, and what this committee is particularly interested in is your ability to carry out the contract.

Mr. CURRIER. Mr. Senator, I answer those questions, I am happy to. I have exhibits on every point that you have raised. I don't care to go into a long, detailed maze of facts if it is not necessary, Mr. Senator, but there isn't any question about our ability to perform. I am merely attempting to reply to charges that were made, and I know my case will merit that.

The CHAIRMAN. This has been a case of charge and countercharge all the way down. We have had the A. F. of L. making charges against the C. I. O.; we have had the C. I. O. making charges against the A. F. of L. and we have both of them making charges against you. Now, all we are interested in is, are you finally settled, are you set up, in such a way that you can carry out the contract which you offered to make with this Government?

Mr. CURRIER. Senator, I stand ready to complete that contract in every regard, and I am not a bit concerned about interference.

The CHAIRMAN. Well, now, if you have anything to support that statement that you want to put in the record, I think you ought to put that into the record, but my advice to you is not to go into all these corpse-digging things that have been going on before this committee. I advised Mr. Lewis not to dig up any corpses in this thing. I am going to advise you to do the same thing.

Mr. CURRIER. I am happy to, Mr. Senator. All I am presuming to do is to answer the charges that have been made before you. If the charges don't mean anything I will be happy to forget them and give you the points that you have asked for.

The CHAIRMAN. I think the charges can be weighed for what they are worth. If you want to go ahead and put the things in the record I have no objection. If you want to complete the record, that is all right, but the thing that you want to present to this committee is your present ability to do the job; that is the thing we are interested in.

Mr. CURRIER. Mr. Senator, in that event I will still submit the record, without recounting them, to the young man, if you will permit me to pick out the few vital points, and I will turn to the record as you suggested.

To finish the point I am on, I will read this part and then be through. This is the newspaper clipping, the statement of the widow at the time of the death. She says in part:

Of course, he had no choice in the matter. When the union tells a man to do picket duty, he has to go or be fined, or he's taken out of the local. But he would never have considered disobeying the order; he was that much of a union man.

(The clipping referred to was marked "Exhibit No. 140" and is included in the appendix on p. 2803.)

The CHAIRMAN. Now, you had no union troubles since your shop has been organized?

Mr. CURRIER. Our plant, Mr. Senator, has——

The CHAIRMAN (interposing). We are not interested in things that have happened in the past; we are interested in the future and your ability to carry out this contract.

Mr. CURRIER. We will put it on that basis. Let me tell you, also, Mr. Senator, and I will support it here, that our plant has never been closed down at any time except for 2 or 3 days—I believe it was 3, maybe 4 days, in March 1937, when sit-down strikes were all over the city of Detroit. Our plant has been continued with every man working every day since then. We are not dependent on teamsters for any material coming into our plant. Our sidings have room for 150 cars, and unless all the railway employees in the United States are part of the stabilization agreement which has been referred to; then there is no way of stopping anything coming to us. Only 3 days in these whole 5 years since '37, or 4 days, have we not shipped out, and those 3 days were only because the mayor and the Governor of the State asked us not to ship out those 3 days and we complied with the request, not an authoritative request, but to cooperate with them. But every man worked every day. So the charge that we are dependent on anybody for the maintenance of the plant or the completion of our job is absurd. We have started 350 jobs since, built of the same type as were referred to in the Wayne project. We have started 350 since September 18. There has not been any revolution in Detroit. There hasn't been any difficulty of any kind as far as I know.

The CHAIRMAN. You are carrying on construction on that job now?

Mr. CURRIER. Yes, sir, Mr. Senator; and we are not disturbed about interference. We have listened to some idle threats. If they are not idle threats we will solely rely upon the law of our land to protect us.

Now, I will just pass these right over in a hurry, sir. In fact, I have 30 exhibits to submit to go into the record, and I will pick out the vital ones. I might say, gentlemen, that I have letters here from the Governor, for instance, speaking about cessation of our operations and his reference to "lumber strike." May I read that one, Mr. Senator?

The CHAIRMAN. Yes.

Mr. CURRIER (reading from "Exhibit No. 141") :

DEAR MR. CURRIER: Thank you for your letter of May 15, 1941. I regret that your firm was the innocent victim of the dispute between the Detroit Lumber Association and the teamsters' union. During this dispute, I was in constant touch with Mayor Jeffries and Police Commissioner Frank Eaman, and I was convinced that they made an honest effort to maintain law and order. It seemed unwise to bring in the State police when the Detroit Police Department had several thousand officers at their command.

I was glad that the situation was corrected in time to permit your scheduled delivery.

I could go into that in much more detail, which I won't do.

(The correspondence referred to was marked "Exhibit No. 141" and is included in the appendix on p. 2803.)

Mr. CURRIER. One of the angles is our ability to build. I have made the statement before you, gentlemen, we have either built direct or worked as partner builders on 950 houses in Detroit this year. It has not been just financing; we actually operated for 950. We have under

construction at the present time, or under F. H. A. commitment, better than 500, and we have never had a stoppage of work, a definite stoppage of work at any time, and certainly we have continued operating smoothly for the last 4 or 5 months without even 1 minute off. These are lists of all the contracts, all the jobs, people they are sold to, and every detail to give your committee. We have here 160.

The CHAIRMAN. Mr. Currier, those will be made committee documents, but will not be made a part of the detailed record. They will be available for use to the committee and to anyone who is interested, but we can't afford to put all the details in the record as a part of the record; they will be committee documents.

Mr. CURRIER. I submit for the committee record, then, a list of 86 trucks operating and 88 additional trailers, including cranes and other subsidiary equipment to work with them, that we operate. We do 33 $\frac{1}{3}$ percent of Detroit's lumber and material business. We do 10 percent of Detroit's building business in our own field. We have our men distributed here. We have hundreds of carpenters, electricians, and proof is here. We have 29 men in our tinning department, 32 in our electrical department, 61 in our heating department, and some 140 in our plumbing department. We have 10 master plumbers. We don't think there is an organization in the United States all-around that can show the number of men that we are able to use in any job. We are not dependent on the A. F. L. at any time for anything. Our men are organized in the C. I. O., completely organized, and if you will permit me to say it, the charge of raiding is absurd. Our men were always nonunion, always open shop, and only the conditions of our times and the disregard of law and order and the failure of law and order to perform made their minds up that they would have to get protection from some great union, and they selected the C. I. O., but the process of organizing the C. I. O. extended from June on until September, and that was consummated about the end of the first week of September.

I could very readily bring you hundreds of men here to testify if there should be any question, the men that organized it, the men who were in on it, the men who first contacted Mr. Jones and Mr. Shea, who were the organizers in Detroit.

The CHAIRMAN. I don't think there is any question on that. I think that is substantiated by other witnesses.

(The documents referred to were marked "Exhibit No. 142" and are on file with the committee.)

Mr. CURRIER. Next is my financial statement to show the net worth of approximately \$3,000,000. We have liquid assets of a million and a half. We don't need to borrow any money, more than our ordinary money that we borrow, to handle this job. In fact, we don't consider the Wayne project a big job by any means. We do more business than that every 3 weeks. We do \$10,000,000 worth of material business and lumber business a year, and we do \$4,000,000 worth of building. I can submit records to establish all this, Mr. Senator, and if you care to read the record, it is all right.

(The document referred to was marked "Exhibit No. 143" and is on file with the committee.)

Mr. CURRIER (continuing). Now, if there is any question about the matter of our method of performing this contract, about the type of

work we use, we had a plan, we had specifications to fill; the Government decided that, and gave a man charge of the work to see that it was done properly. The Government examined all of these things that I am telling you about. Mr. Westbrook's department examined it and knew we could perform long before this came up. When he recommended that the contract go to us as low bidder he found us quite capable of performing or he couldn't have recommended that we get it.

If there should be a question about how it was done, we had the same plan to perform as anybody else. We preferred to do it on our method, which is an industrial production system. We preferred to do it that way. If there is any criticism about that, I could go into that angle, but I don't know that there is.

The CHAIRMAN. I don't think there is any criticism of that.

Mr. CURRIER. I have here, of course, built up a tremendous bunch of facts, Senator, on this prefabrication system and ordinary house proposition. I could submit that, although, again, if it is not necessary, why take the time of this committee?

The CHAIRMAN. I don't think it is necessary.

Mr. CURRIER. I have evidence in this, that would prove my case to the most prejudiced. I can't understand yet why the question was ever raised.

Did you ask me, Mr. Senator, something about a wage rate?

The CHAIRMAN. Yes, I asked you about that.

Mr. CURRIER. Well, we are submitting for the record the last 4 years, 1938, 1939, 1940, and 1941, our wage rates as compared with three other lumber companies who are active in our field. The building has always been the same. We conformed to a subcontracting system in our building up until a few months ago. Since a few months ago we have used all our own labor. We subcontract nothing. We employ the plumbers, we employ the electricians, we employ the heating men, we get our own material in carloads, we buy hardware, for instance, in full carload lots, a whole carload of butts and locks, things like that. We have a big supply and carry an inventory of two million. The inventory required on this project on Wayne, the material needed, would be somewhere around 500,000. Our normal inventory is more than that. We could supply the Wayne job without buying anything except veneer, and we had enough veneer on hand to build the first 150 jobs without getting any. We had the material; we had it in stock. There was no question of our ability to perform any part of it. We had the men and material, and we had an organization supported by a recognized union with which our men were well satisfied. There was no reason that we should have any trouble of any kind.

Now, these wage rates are a long story. I will not read that to you. I will pick out two or three to give to the record and then you can put the rest in. I believe since the teamsters question has been raised and talked of very much, I might state that I took these as of October 26 for 4 years. Our drivers are getting 90 cents an hour, no deviation. Under a contract that I understand the A. F. L. teamsters have with the other lumber dealers of Detroit they are getting 75. That is yard No. 1. In yard No. 2, they are getting 75; yard No. 3 is paying 70, and I understand they are under contract.

I might also say that we are paying 50 percent overtime for everybody that works for us, and have done so since within 6 months of the wage and hour law's going into effect. When the wage and hour law went into effect, and I think, gentlemen, it was in '39, I am not sure of all those figures—

The CHAIRMAN. That is right.

Mr. CURRIER. For the first 3 or 4 months no man knew where he was at. We were engaged in business in the State of Michigan. The national lumber associations and all other trade associations said that a person who was engaged in one State and didn't do business outside the State was not subject to any law as far as wage and hour was concerned. Four or five months—close to it, I haven't the dates, but not more than that, after that law went into effect we were working 50 hours, and we established the 50 percent overtime over 40 hours as part of the raise we put into effect, and from that time we have always paid time and a half. I understand that at the rate now on A. F. L. contracts a great many of their members are not being paid time and a half over 40 hours; in fact, there came to my attention a short time ago a company that operates next door to us. Their men and ours would go down to the same saloon after pay Wednesday. We discovered through our men that an outfit under an A. F. L. contract was paying time and a half over 55 hours instead of 40, and were also paying less at that time, 10 cents, I think, less per hour than our men were getting. Naturally, they got very much disturbed when they found out how they were working next door. They had big trucks and our men had pretty nearly all small trucks, and they found they were being discriminated against to the extent of \$15 or \$20 a week, and they got quite disturbed and unfortunately had a strike over there. We are sorry that our men because of showing that information were responsible for that disturbance, but nevertheless it occurred. I can't tell you what compromise was arrived at.

Now, back in '40 on the same date we were paying 70 cents an hour for truck drivers; 65 cents an hour was paid by yard No. 1 nonunion, 60 cents was paid by yard No. 2 nonunion, and 60 cents was paid by yard No. 3 nonunion. The year 1939 drivers were paid by us 65 cents; yard No. 1, 60; yard No. 2, 60; yard No. 3, 55; none of which were union. None of us were union. We have only been union as far as we are concerned since early in September. We have never belonged. We were always nonunion but we always can prove by the records that our rates in Detroit were 25 percent above our trade, always have been, and I tell you, gentlemen, always will be.

In the year 1938 we paid drivers 60 cents, yard No. 1 paid 60 cents, yard No. 2 paid 55, and yard No. 3 paid 55. I will touch on any other men, Mr. Senator, if you care to have me.

The CHAIRMAN. I think that is competent.

Mr. CURRIER. The rest will show.

The CHAIRMAN. Let that go in the record.

(The schedule of wage rates referred to was marked "Exhibit No. 144" and is on file with the committee.)

Mr. CURRIER. We are paying today to truck drivers 15 cents per hour more than the contract existing between the A. F. L. and other people in the city, stickermen we are paying 25 cents an hour more, shapers we are paying 25 cents an hour more, and while there may be a com-

pany in Detroit that is closer to these figures, I couldn't get their record; they refused to give me the information. I know they are nowhere near our figures, but I think they may be higher than the other one, two, or three that I got.

The CHAIRMAN. Just put that in the record.

Mr. CURRIER. If I read it all here, it would be 3 o'clock this afternoon before I got through with this thing.

Mr. FULTON. On that wage, Mr. Currier, in the sheet that you furnished the committee several days ago and which Mr. Hillman took with him for study, you had set up against the A. F. of L. rates your own rate. Now, where did you get the A. F. of L. rate?

Mr. CURRIER. From the contract that they made with the lumber dealers in Detroit. They have often, during the testimony, Mr. Senator, stated that they were subject to a certain contract that the A. F. L. made with Detroit lumber dealers of Detroit. I have not given you the testimony, but it is here.

Mr. FULTON. My question only related to the fact as to those wages. Are those wages set forth in that contract?

Mr. CURRIER. They are set forth in that contract.

Mr. FULTON. And you, being under oath, testify that the wage rates you set forth in that schedule as being yours are in fact being paid?

Mr. CURRIER. I do, sir, and I invite your attention to the records or to refer to the social security to confirm the statements that I have sworn under oath, Mr. Fulton.

This was unnecessary, I think—a list of some of the contracts that I have given out. This was a \$200,000 job. It specified in the contract that only union labor could be used. That was a year ago, A. F. L.; all A. F. L. on that particular job. It happened to be heavy construction. My residential construction has always been nonunion men, always done by myself.

Now, gentlemen, since there is no more evidence, I will submit all this for the record, these 30 exhibits, proofs of anything that a man could think of, and if you don't think it is necessary, I hope if there are any questions you will direct them to me. I only want, Mr. Senator, to answer what you think is apropos to the question.

The CHAIRMAN. Mr. Fulton has a question that he wants to ask you, and that is all.

Mr. FULTON. Mr. Currier, if the United States should feel afraid of causing labor trouble and thereby deny you this contract, do you propose to continue building small houses in Detroit?

Mr. CURRIER. Yes, Mr. Fulton. I feel that if the United States refuses to give me this contract—I am asking Mr. Senator, in justice to the fact that you have innocent men come down here and bid without any knowledge that private agreements exist between your O. P. M. and any group, that it should go within the plans and specifications and request to bid to every man that is asked to bid, because in this case we can prove beyond question there is no issue involved except the fact that we are depriving another union's employees from getting the contract. The evidence is positively conclusive, and I defy anyone or anybody to combat it. Now, that would be one of your answers. Also, if I don't get that, I feel I will be at liberty to submit my bid within my ability to perform in any State of the Union, if I can ship, and it is within my ability to perform. I feel I have a perfect right to bid on

any job unless you want to put in the record or give me an order by the United States Government advising me that I am no longer privileged to place my bids. I think it should be clarified, Mr. Fulton. I think we should at least meet the issue.

A next point, if it is all right. My next point—you asked me if I will continue in Detroit. Yes. I believe that I will build this year in Detroit, if I am permitted to get the materials through the priorities, and I don't get any Government business, between three and five thousand houses in Detroit this year. They will be houses following the system of industrial production, such as we applied in this Wayne project. The houses will be five-room, full-basement, every modern convenience. They will be 24 by 30. There will be five rooms downstairs, and one or two bedrooms upstairs, as the people who buy elect. The house will have automatic oil heat, on lots no less than 40 feet by 150, and we will sell those houses to the public in Detroit between \$3,300 and \$3,500, including the land and all. The cost of them will be \$16.85 a month for the interest and principal, and it will be all under F. H. A. mortgages, all under F. H. A. approval. The amount that they ask, for instance, on F. H. A. a month is \$1.12 and the other is 50, that is \$1.62; the taxes run, in the area I am talking about, \$3.50. That is \$5.08, I believe, above the \$16.85. So that a man can occupy that house for \$21.93 a month. He will have to have \$300 down, which is \$300 down and \$21.93 a month. We are going to provide the city of Detroit with 5,000 houses if the Government refuses to accept it and cannot see the way clear to accept my offer of cooperation in the defense program elsewhere.

I propose, on that, that there will be 60,000 men just starting to work within a mile of where I started the 350. Your Secretary of the Navy was over in Detroit Saturday, I believe, and opened the Hudson arsenal plant. I am within a mile and a half of that. That is where my first 350 are going up now. I have ample land, but I propose to sell everything, land and all. I don't propose to go and build on a lot here and there, because if I did it I could not accomplish it with this method. Industrial houses on that basis, gentlemen, are coming, and there is no use of the American people thinking by any selfish means they are going to stop that progress. Maybe there are men who still don't know how we put our first railroads through. Ignorant men, who were concerned with their selfish interests, pulled up the railroad tracks. Anybody remembers that the cotton workers in Manchester destroyed the plants and killed their employers, and everything else, a hundred years ago, hollering for their 2 cents a day because they thought they would lose their livelihood forever because progress had come. Progress has arrived in the building industry, Mr. Senator, and no perpetuated old methods, old forms, or old racketeering methods will be perpetuated that means to destroy this progress. That is what I propose to do. Does that answer your question, Mr. Fulton?

The CHAIRMAN. That answers the question. That is all.

Mr. CURRIER. Thank you.

The CHAIRMAN. You may put those in the record in the order in which you want to put them in, and you may get over at that other table and make the arrangement.

(The documents referred to were marked "Exhibits Nos. 145 to 148" and are on file with the committee.)

The CHAIRMAN. Colonel Westbrook, you have been sworn, haven't you?

Colonel WESTBROOK. No, sir; I have not.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

TESTIMONY OF COL. LAWRENCE WESTBROOK, DIRECTOR, MUTUAL HOME OWNERSHIP DIVISION, FEDERAL WORKS AGENCY

REASONS FOR REJECTION OF CURRIER BID BY FEDERAL WORKS AGENCY

Colonel WESTBROOK. I do.

The CHAIRMAN. Be seated, Colonel, and give your title and connection to the reporter, please.

Colonel WESTBROOK. My name is Lawrence Westbrook. I am special assistant to the Administrator of the Federal Works Agency, and in that capacity I have charge of an operation being carried on in the Federal Works Agency known as the Mutual Housing Division.

The CHAIRMAN. Colonel, you have heard the testimony, I imagine, during the last few days in regard to this Detroit contract. What is your conclusion?

Colonel WESTBROOK. Well, sir; that is quite a broad question, Senator.

The CHAIRMAN. I want a broad answer.

Colonel WESTBROOK. If I should attempt to answer that, I ought to have time to make a prepared statement as to what my conclusion is. If the Senator would be good enough to ask me what my conclusion is with respect to any part of it or any aspect of it, I think I would be competent to answer, but I am sure——

The CHAIRMAN (interposing). Colonel, I think I warned you yesterday that you were going to be asked this question.

Colonel WESTBROOK. I didn't understand that I was going to be asked what my opinion of this whole proceeding was.

The CHAIRMAN. Well, you don't necessarily have to give your opinion of the whole proceeding. What are you going to do with this contract?

Colonel WESTBROOK. That I can answer.

The CHAIRMAN. All right, proceed.

Colonel WESTBROOK. I shall have to await the decision of the Administrator with respect to that.

The CHAIRMAN. What recommendation are you going to make to the Administrator?

Colonel WESTBROOK. My recommendations to the Administrator would be that, on the basis of the recommendations made to the Administrator by the O. P. M., all of these bids be rejected.

Mr. FULTON. For what reason?

Colonel WESTBROOK. I want to make this clear that this is my own personal recommendation, and I don't know whether it is the idea of the Administrator or not. As I see it, the O. P. M. is charged with the over-all responsibility for the prosecution of the defense program, and it would appear to me that if the O. P. M. makes a definite, conclusive recommendation to any agency of the Government engaged in defense activities, that recommendation should be carried out.

Mr. FULTON. You read the testimony of Mr. Carmody before this committee?

Colonel WESTBROOK. Yes, sir; I have.

Mr. FULTON. Are you familiar with the issue as he phrased it, which I believe is that—I will quote him:¹

I saw what the issue was. It is whether or not in its endeavor to stabilize labor relationships throughout the defense industry, there is an activity or an agency of Government that can say to me that I may or may not sign a particular contract because it will upset labor relations, perhaps far away from the site of the particular project.

You answer that, I take it, that you think there is such an agency.

Colonel WESTBROOK. No; I don't—

Mr. FULTON (interposing). Did you say to Mr. Carmody that he may not accept the lowest bid?

Colonel WESTBROOK. I don't think that the Federal Works Agency is competent to determine what effect its actions in a labor dispute might have on the defense program as a whole, and I would say that the O. P. M. is set up for the purpose of coordinating all of those activities.

Mr. FULTON. But Colonel Westbrook, specifically with respect to Mr. Carmody's issue, you answer that there is an agency that can tell Mr. Carmody that he may not take the lowest bid?

Colonel WESTBROOK. I don't think that they can tell him or direct him, but I think that they can make recommendations to him, which they have done.

Mr. FULTON. In other words, you recognize that you, as director of this Mutual Home Ownership, which has received the bid, and Mr. Carmody, as the head of the Federal Works, have the responsibility, and you alone have the responsibility of determining whether the lowest bid shall be rejected.

Colonel WESTBROOK. I think that is entirely correct.

Mr. FULTON. And you have also, I think, been the recipient of an opinion that you requested from the Department of Justice concerning the legality of this proposed procedure; have you not?

Colonel WESTBROOK. I have no personal knowledge of that. I think that the Department of Justice did advise Mr. Carmody with respect to it, but I have not any personal knowledge of that.

Mr. FULTON. You have read Mr. Carmody's testimony where he said, and again I quote, "I have been informed by the Department of Justice that there is no legal basis for that."

Colonel WESTBROOK. Yes.

Mr. FULTON. Meaning for the refusal of the lowest bid.

Colonel WESTBROOK. Yes; I think that is quite correct, that there is no legal basis for refusing the bid. On the other hand, I am quite sure that under the Lanham Act, the Administrator has the right to reject the bid.

Mr. FULTON. Now, at this point, I might ask you where you think the O. P. M. has the authority to advise you to do an illegal act.

Colonel WESTBROOK. It is based on this assumption, which may or may not be correct, but it is my assumption that the O. P. M. does have the general responsibility for the prosecution of the defense program.

¹ Supra, p. 2372.

Mr. FULTON. To the extent of authority to advise an illegal act?

Colonel WESTBROOK. Well, I don't think that is an illegal act. I don't think the rejection of this bid would be an illegal act.

Mr. FULTON. Why would it not be an illegal act if it is done solely for the purpose of avoiding a low bid?

Colonel WESTBROOK. Because that would not be the question.

Mr. FULTON. Isn't it the question?

Colonel WESTBROOK. No.

Mr. FULTON. Isn't that the question you submitted to the Department of Justice?

Colonel WESTBROOK. It wouldn't be rejected, of course, solely for the purpose of avoiding the low bid. If it were rejected, it would be rejected upon the basis of the recommendation of the O. P. M. to the effect that the awarding of the contract might adversely affect the carrying out of the defense program as a whole.

Mr. FULTON. Now, Mr. Westbrook, you studied the testimony, I take it, of all the witnesses.

Colonel WESTBROOK. I haven't had an opportunity to study it because I haven't had a transcript, but I have listened to it rather attentively.

Mr. FULTON. And you heard the testimony to the effect that there is a definite agreement by the Building Trades Department of the A. F. of L. not to strike the defense projects of the Federal Works Administrator.

Colonel WESTBROOK. I heard that testimony.

Mr. FULTON. And you heard Mr. Gray testify that there was no suggestion that they intended to violate that agreement.

Colonel WESTBROOK. Yes, sir; I heard that.

Mr. FULTON. So that your action is not based, I take it, on the fear that there will be strikes on other projects of the F. W. A.?

Colonel WESTBROOK. My recommendation would be not based on my fear, but it would be based upon the expressed fear of the O. P. M.

Mr. FULTON. But I take it you would have the responsibility and recognize that, and in following that advice, you don't think it relates to anything with respect to stopping your other projects?

Colonel WESTBROOK. No; I think that the O. P. M.'s recommendations, as I understand them, were based on their fear that the awarding of this contract to the Carrier Lumber Co. would adversely affect other aspects of the defense program.

Mr. FULTON. But it has nothing to do with other aspects of the F. W. A. projects, has it, which is the only thing you have any responsibility for.

Colonel WESTBROOK. Well, I wouldn't say that that is the only thing we have responsibility for. I think we have responsibility in this situation in all of our acts to forward the defense program.

Mr. FULTON. All right. Now what other defense projects do you know of, which have been referred to in this testimony, in which there is the faintest suggestion that they will be stopped?

Colonel WESTBROOK. I don't know of any.

Mr. FULTON. And if they were stopped, it would be a violation of the agreement which Mr. Gray testified there was no intention of violating, would it not?

Colonel WESTBROOK. I, personally—and I am sure the Federal Works Agency as an agency—would have no opinion with respect to that. Our action would be based upon the recommendation of an agency which should have information covering those points.

Mr. FULTON. But you can read plain English and you have read the agreement to the effect that there shall be no stoppage of work for any cause.

Colonel WESTBROOK. Yes; I can read English.

Mr. FULTON. And you recognize without any difficulty that it means what it says?

Colonel WESTBROOK. Oh, yes; I understand what it says.

Mr. FULTON. You heard Mr. Gray testify that the A. F. of L. thinks it means what it says.

Colonel WESTBROOK. Yes.

Mr. FULTON. And that they have no intention of stopping it. Isn't that true?

Colonel WESTBROOK. Yes.

Mr. FULTON. So you are not, in this advice that you are expecting to give to Mr. Carmody, influenced by the opinion that defense projects are going to be stopped?

Colonel WESTBROOK. I wouldn't assume to express an opinion on that.

Mr. FULTON. At any rate, your advice is not based on that thought or consideration on that point.

Colonel WESTBROOK. My advice is based upon my belief that to carry out the defense program in an orderly way, the agency which has the overall responsibility for prosecuting that program should be recognized and its recommendations followed by agencies of the Government which are engaged in defense activities.

Mr. FULTON. Even though you have that responsibility, you recognize that you personally should follow an action that you haven't given any consideration to, because if you did give consideration to it, your opinion is that there is no threat on that defense project.

Colonel WESTBROOK. I don't think that I personally should have an opinion.

Mr. FULTON. Even though it is your responsibility, you shouldn't have an opinion?

Colonel WESTBROOK. Well, no, I didn't say that.

Mr. FULTON. Blindly follow advice, without an opinion?

Colonel WESTBROOK. I didn't say that.

Mr. FULTON. What is it that you said?

Colonel WESTBROOK. I said that I thought that the recommendations of the agency which did have that responsibility should be followed.

Mr. FULTON. Irrespective of whether you agree with it or not, you should follow that advice?

Colonel WESTBROOK. Certainly. Certainly. I do lots of things that I don't agree are correct.

Mr. FULTON. So that where you admit you have the responsibility, you do things that you think are not correct?

Colonel WESTBROOK. No.

Mr. FULTON. Wasn't that what you said?

Colonel WESTBROOK. I didn't say that, either.

Mr. FULTON. How do we reconcile this? You have the responsibility—

Colonel WESTBROOK (interposing). I am perfectly clear as to how I reconcile it, and I think I have made it clear that in my position as an administrative officer of the Government—

Mr. FULTON (interposing). Where you have the responsibility.

Colonel WESTBROOK. I will observe recommendations made by an agency of the Government which is set up to carry out a specific program if my operations are under that over-all operation.

Mr. FULTON. In other words, you mean you won't make a decision one way or the other where somebody else gives you advice and at the same time that he gives you advice, testifies that he has no power—

Colonel WESTBROOK (interposing). If it had been my responsibility in this case, I would have made it as soon as I was sure that the O. P. M. was in possession of all of the facts and that it made the recommendation conclusively. I would have made the decision immediately to reject these bids.

Mr. FULTON. And that because they have given you that advice?

Colonel WESTBROOK. Purely and entirely.

Mr. FULTON. Now, with respect to the next issue there, since you had no thought and gave no consideration to whether any defense project would be stopped, did you give any thought or any consideration to the question as to whether the A. F. of L. have any members within the Currier organization who by simply refusing to work, could stop them?

Colonel WESTBROOK. I have never had any serious question as to the ability of the Currier organization to do this job.

Mr. FULTON. As a matter of fact, you advised Mr. Carmody that, in your opinion, it was perfectly competent to do the job?

Colonel WESTBROOK. I did, and if the recommendation had not been made by the O. P. M. the contract would have been awarded to the Currier Co.

Mr. FULTON. Now, in acting in this sense that you have acted, of advising Mr. Carmody, because that is all you have done, you haven't decided to reject it?

Colonel WESTBROOK. It isn't my responsibility. You asked me what I would do if I had the responsibility, and I told you.

Mr. FULTON. Why haven't you the responsibility? You are the Director of the Mutual Home Ownership, are you not?

Colonel WESTBROOK. Yes, but the law confers responsibility for the awarding of these contracts upon Mr. Carmody, and he delegates it to the various construction agencies, and he had delegated this to me.

Mr. FULTON. Has he withdrawn the power, too?

Colonel WESTBROOK. Yes; he withdrew that when I presented to him the recommendation of the O. P. M., and I have no authority either to sign or reject the contract at this time.

Mr. FULTON. And in making up your mind to advise him that in your opinion you think he ought to follow Mr. Hillman's advice, did you give consideration to the testimony here by Mr. Gray and Mr. Roe to the effect that there is no suggestion that the A. F. of L. intends to do any illegal act in the sense of interfering with these trucks?

Colonel WESTBROOK. I don't think it is my responsibility to give

consideration to those things. I think that is the responsibility of the O. P. M. in making its recommendations.

Mr. FULTON. But at least you didn't give it any consideration.

Colonel WESTBROOK. Well, naturally I thought about it, but I didn't think that it was and I still say that I don't think it is my responsibility to act on the basis—

Mr. FULTON (interposing). If you did think about it, did you reach the conclusion that there is a situation here where the United States cannot proceed to have houses constructed because there is a threat of illegal action that would prevent the United States from succeeding in having the houses constructed, and if so, what evidence did you have of that?

Colonel WESTBROOK. I wish you would restate that. I would like to answer it carefully.

(The reporter read the immediately preceding question.)

Colonel WESTBROOK. I didn't reach that conclusion.

Mr. FULTON. Then, on what factual basis that you have heard in this testimony, from Mr. Hillman or otherwise, did you think there was any justification for a responsible official of the United States intending to lose \$700,000 of taxpayers' money by rejecting a perfectly legal bid that he has already obtained at his own request?

Colonel WESTBROOK. I will restate, I don't know why I should have to, but I will restate that my recommendation is based entirely upon my belief that recommendations made by the O. P. M. to any agency of the Government engaged in defense activities should be carried out.

Mr. FULTON. Whether they have foundation or not?

Colonel WESTBROOK. How's that?

Mr. FULTON. Whether they have foundation or not?

Colonel WESTBROOK. It isn't my place to determine whether they have foundation or not.

Mr. FULTON. That is your position.

Colonel WESTBROOK. No; I am not the judge of whether the acts of the O. P. M. have foundation or not.

Mr. FULTON. Now, just what statute of the United States are you referring to that gave the O. P. M. such power over officials of the United States acting pursuant to statutes of Congress, such as Mr. Carmody?

Colonel WESTBROOK. I am not aware of any statute. I merely assume, and I think I am correct in assuming, that the O. P. M. has been charged with the over-all responsibility of prosecuting the defense program.

Mr. FULTON. Now, what provision of what statute or what order gives them such power to override the officers of the United States who are, like yourself, delegated with responsibility by the Congress?

Colonel WESTBROOK. I do not consider that it is overriding. I think it is a recommendation which we can refuse or accept, but I would not refuse it; I would accept it.

The CHAIRMAN. In case your advice is followed and the bids are rejected, will you advertise again?

Colonel WESTBROOK. Yes, sir.

The CHAIRMAN. Will you accept a bid from Mr. Currier if he bids?

Colonel WESTBROOK. I would see no reason for Mr. Currier bidding again because—

Mr. FULTON. He might.

The CHAIRMAN. He has a perfect right.

Colonel WESTBROOK. Yes; he has a perfect right, but, obviously, the O. P. M. would make the same recommendation.

Mr. FULTON. Then you would reject the bids again. Is that what you say?

Colonel WESTBROOK. If he should be low.

Mr. FULTON. Then what will happen the third time?

Colonel WESTBROOK. Of course, I don't know that he would be low, and I don't know that the rejection of his bid would be, as you said a minute ago, the loss to the Government of several hundred thousand dollars. I don't think it would.

Mr. FULTON. And in case he was low, what would be your reaction, to keep on rejecting him forever?

Colonel WESTBROOK. If the O. P. M. continued to recommend that we not award him the contract, and I were responsible, I wouldn't award it.

Mr. FULTON. Now, with reference to the O. P. M., will you point out any section of any Executive order or statute which gives them authority to tell an officer appointed by the authority of the United States to disregard this bid?

Colonel WESTBROOK. No.

Mr. FULTON. Have you asked your counsel—

Colonel WESTBROOK (interposing). As far as my action in this case is concerned they wouldn't have to have; I would accept their recommendation. I don't think they have authority to tell me anything.

Mr. FULTON. Then, when you know that you do have the responsibility and when you can't find any authority on their part, you are still going to follow their advice?

Colonel WESTBROOK. I would follow their advice; yes.

Mr. FULTON. Have you talked with any counsel on that matter?

Colonel WESTBROOK. No—oh, yes; I have. I have consulted with our general counsel and discussed it.

Mr. FULTON. Did he give you advice with respect to the powers of O. P. M. and the duties of yourself?

Colonel WESTBROOK. We didn't discuss that; no.

Mr. FULTON. You didn't even ask that?

Colonel WESTBROOK. I discussed that recommendation with him, and I did not understand from him that in any way would that be out of order.

Mr. FULTON. Is he present in the room?

Colonel WESTBROOK. Yes.

The CHAIRMAN. Mr. Johnstone, will you be sworn?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. JOHNSTONE. I do.

TESTIMONY OF ALAN JOHNSTONE, GENERAL COUNSEL, FEDERAL WORKS AGENCY

Mr. FULTON. Mr. Johnstone, is the Federal Works Agency an agency created by statute?

Mr. JOHNSTONE. It was created by Reorganization Plan No. 1 submitted by the President to the Congress on the authority of the Reorganization Act of 1939.

Mr. FULTON. And is Mr. Carmody a man who was appointed at the consent of the Senate?

Mr. JOHNSTONE. Yes, sir.

Mr. FULTON. And as such do you agree that Mr. Carmody or Mr. Westbrook if he hadn't been deprived of the authority to act would have the responsibility of determining whether this contract should be awarded?

Mr. JOHNSTONE. I think so.

Mr. FULTON. To the lowest bidder?

Mr. JOHNSTONE. I think so. I think the Federal Works Administration is specifically charged by statute with the responsibility of the expenditure of these funds.

Mr. FULTON. And you are familiar with the opinion of the Department of Justice requested by Mr. Carmody?

Mr. JOHNSTONE. I do not think that Mr. Carmody requested an opinion from the Department of Justice. If he did I am not aware of it. Mr. Thurman Arnold, who is Assistant Attorney General in charge of the Anti-Trust Division of the Department of Justice, wrote Mr. Carmody a letter on the subject.

Mr. FULTON. Have you read the letter?

Mr. JOHNSTONE. I have it.

Mr. FULTON. Have you any reason to take issue with the conclusion of the letter?

Mr. JOHNSTONE. No.

Mr. FULTON. So you agree, then, that it would be illegal to refuse to let this contract?

Mr. JOHNSTONE. I do not understand that Mr. Arnold's letter said that it would be illegal to refuse to let this contract.

Mr. FULTON. That is what Mr. Carmody understood.

Mr. JOHNSTONE. I think this is the original letter from Mr. Arnold.

Mr. FULTON. Mr. Arnold said that "Assuming the facts set out in this memorandum can be substantiated, it would appear that if the Currier Lumber Co. is prevented from entering into or performing this contract, a case is presented of the kind which we have prosecuted in the past, and which, therefore, in the interests of equal administration of law requires action on our part. The recent decisions of the Supreme Court which limit the application of the antitrust laws in labor controversies do not in our judgment cover this situation.

We see no reason, therefore, why the Federal Works Agency should hesitate to let the contract to the Currier Lumber Co.

Mr. JOHNSTONE. As I understand, Mr. Arnold's letter was based on the idea, as expressed in the memorandum to which he referred. Here, I believe, is the memorandum.

But as I understand it, Mr. Fulton, Mr. Arnold's letter was based upon the suggestion that there existed an agreement between the American Federation of Labor and the Office of Production Management to the effect that all construction programs of the United States would be awarded to companies employing members of the American Federation of Labor. It was upon that assumption that he wrote the letter.

Mr. FULTON. He said there was such an agreement, and it was of the type that would have been prosecuted as a violation of the anti-trust law.

Mr. JOHNSTONE. I agree that if there was such an agreement it would be an illegal agreement.

Mr. FULTON. Now, this makes it even worse, doesn't it, the fact that there isn't any such agreement, because you don't have any contract—

Mr. JOHNSTONE (interposing). I understand the statement to have been made by Mr. Hillman that there was no such agreement. I have read the so-called stabilization agreement which has been exhibited in this record.

Mr. FULTON. Which contains no such agreement.

Mr. JOHNSTONE. I agree that it does not constitute any such agreement.

Mr. FULTON. That being so, and there being no obligation on the part of the United States to disregard the lowest bidder who is found by Colonel Westbrook to be competent to perform, doesn't it make all the more illegal their refusal to accept that bid?

Mr. JOHNSTONE. Mr. Fulton, I don't think that the matter reduces to a question of legality or illegality.

Mr. FULTON. But, talking of legality, which is the point we are talking on now, doesn't it make it all the more illegal to reject the lowest bid of a competent bidder?

Mr. JOHNSTONE. I do not think that it is illegal to reject the bid of a low bidder.

Mr. FULTON. The lowest bid of a competent bidder. Do you think it is not?

Mr. JOHNSTONE. I do not think this question is a matter of law. Under the general law of the land, the United States can reject any bid that is submitted to it for any reason that it wishes to except an illegal reason. I mean it doesn't have to let a contract to anybody. Now, to the specific act in question, the Federal Works Agency may advertise for bids, throw out all the bids, or may negotiate the contract as it chooses. The Congress has given it that authority. I do not understand that this question before this committee can be reduced to a question of legality. I think it is a question of policy.

Mr. FULTON. And, now, if you think it is a question of policy, what statute or what Executive order did you base any opinion on that you may have given to Colonel Westbrook that there is any authority in the O. P. M. to tell Mr. Carmody that he has to disregard the lowest bidder?

Mr. JOHNSTONE. I am not aware of any law or Executive order which gives to the Office of Production Management the power to direct a Federal official to let or not to let a contract.

Mr. FULTON. Then you would resolve the issue which Mr. Carmody stated in his own words to the effect that there isn't any such agency that can tell him that.

Mr. JOHNSTONE. That is right.

Mr. FULTON. And it is up to him and his people alone to determine that issue?

Mr. JOHNSTONE. That is right, it is up to him to do it. It is their responsibility to let or not to let this contract.

Mr. FULTON. And that is what you told Colonel Westbrook?

Mr. JOHNSTONE. That is right.

Mr. FULTON. And in exercising that responsibility, did you tell Colonel Westbrook that he could legally close his mind to the facts and pay no attention to the facts and go only on the advice and conclusion given him rather than on the facts as he found them to be?

Mr. JOHNSTONE. Mr. Fulton, I do not understand that Colonel Westbrook stated that I gave him any such advice.

Mr. FULTON. No; and you didn't. Did you?

Mr. JOHNSTONE. No. But I want the record to indicate, from the kind of question that you have asked, that Colonel Westbrook stated that I gave him any such advice, I did not.

Mr. FULTON. And you would not, would you?

Mr. JOHNSTONE. I would not do what?

Mr. FULTON. You would not advise Colonel Westbrook that he can blindly, where he has the responsibility, follow a conclusion given to him by another man and disregard and close his mind to the facts on which that conclusion must stand or fall.

Mr. JOHNSTONE. Well, I don't think anybody in his right mind would advise anybody to follow any such course anywhere.

Mr. FULTON. That is right.

Mr. JOHNSTONE. I don't think you do.

Mr. FULTON. I certainly don't. I would advise him to read the facts, and where he has responsibility, to exercise intelligence, to make his own determination on that.

Mr. JOHNSTONE. As I understand Colonel Westbrook's statement, to which I have just listened, it is to this effect: that he regards the Office of Production Management as the office set up by the United States to establish labor policies on defense contracts, and thinks that advice along those lines should be followed, and that is all I understand him to have said.

Mr. FULTON. But you understand that he has the responsibility of acting, and you heard him testify that he did not himself analyze the facts as he understood them because he didn't think that it made any difference at all what he might conclude by the exercise of his intelligence on those facts.

Mr. JOHNSTONE. I heard Colonel Westbrook state that he did not regard it his business to inquire into the basis of advice which was given to him by responsible Government officials. That is what I heard him say.

Mr. FULTON. Whether that was his business or not, the committee did enable him to hear those facts by calling the witnesses, and Colonel Westbrook did hear those facts, didn't he?

Mr. JOHNSTONE. What is that?

Mr. FULTON. Colonel Westbrook was present and heard the facts from the witnesses themselves.

Mr. JOHNSTONE. Certainly.

Mr. FULTON. Whether he thought it was his business to hear the facts or not, he heard them.

Mr. JOHNSTONE. Quite so.

Mr. FULTON. And having heard them, is it your opinion as counsel for the F. W. A. that he can close his mind to those facts and not pay any attention to his own conclusions and not make conclusions on those facts and follow the advice in the general terms as it was given to him by Mr. Hillman?

Mr. JOHNSTONE. Mr. Fulton, I will answer your question by saying that I think under this law it is the responsibility of the Federal Works Administrator to let or not to let contracts. I think he cannot fail to let a contract for an illegal reason. I think he can reject any or all bids that are submitted to him under this Housing Act, and negotiate contracts. I don't think he has to advertise for bids.

Mr. FULTON. Do you think he can close his mind to facts known to him and not exercise his intelligence on them?

Mr. JOHNSTONE. I do not think he can. I certainly do not. Nor do I understand that that has been done.

Mr. FULTON. Didn't you understand that Mr. Westbrook stated that he wasn't going to rely on his own determination of those issues because he was going to be guided solely and exclusively as far as he was concerned, by the advice of Mr. Hillman?

Mr. JOHNSTONE. I understood Colonel Westbrook to say when, as and if the Office of Production Management advised against the letting of a contract because in its opinion the defense program would be retarded, that he would follow that advice.

Mr. FULTON. And he wouldn't exercise his own intelligence.

Mr. JOHNSTONE. I didn't understand him to say he wouldn't exercise his own intelligence, and I don't think that is a fair question.

Colonel WESTBROOK. I don't think it is either, and I want to take exception to it.

The CHAIRMAN. I think the legal controversy has gone quite far enough. The committee is of the opinion that when bids are taken in good faith and the low bidder can qualify, that that bid ought to be accepted unless there is some specific reason why it should not be accepted. Now, Mr. Hillman has said that there will be trouble in Detroit if this bid is accepted. Mr. Currier has testified that whether the bid is accepted or not he is going to build 5,000 houses. Now, whether that means trouble or not, it is under exactly the same conditions as the Federal construction would be. That is a matter entirely for the Federal Works Administrator to decide. I think the Works Administrator has the responsibility to decide that on his own ability and not on what Hillman or anybody else may tell him. That is the opinion of the chairman of this committee.

Now, as far as that is concerned, you can take it for what it is worth and do what your legal duty tells you to do, and you have a counselor for that purpose.

The committee will stand adjourned until Wednesday, when Mr. Nathan Strans, U. S. H. A., will appear before the committee on the housing program, and on Friday the committee will hear the Aluminum Co. of America, we hope.

(Whereupon, at 11:50 a. m., the committee recessed until 10:30 a. m., Wednesday, October 29, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

WEDNESDAY, OCTOBER 29, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Tuesday, October 28, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senator Harry S. Truman (chairman) and Senator Carl Hatch.

Present also: Hugh A. Fulton, chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Straus, I believe you are the first witness. Have you been sworn by this committee?

Mr. STRAUS. No, sir; I have not.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. STRAUS. I do.

TESTIMONY OF NATHAN STRAUS, ADMINISTRATOR, UNITED STATES HOUSING AUTHORITY

CRITICISMS OF DEFENSE HOUSING AGENCIES—SUGGESTED CHANGES

The CHAIRMAN. Mr. Straus, will you give your name and title to the reporter, please?

Mr. STRAUS. Nathan Straus, Administrator of the United States Housing Authority.

The CHAIRMAN. Mr. Straus, I think you had a statement which you wanted to make to this committee. We will be pleased to have it at this time.

Mr. STRAUS. Mr. Chairman and members of the committee, a speaker often begins by saying that he is unprepared. I want to begin my statement to you today by saying exactly the opposite. I have been preparing myself to make this statement really for more than a year, and many of the views that are expressed herein have been expressed privately and informally to members of the Administration and others over and over again, but without obtaining any success in having the wrongs that I see righted, and having the conditions to which I want to call your attention corrected.

I believe that the problems involved are so serious and the matters are so vital to the national defense that I do welcome the opportunity that you are giving me here to bring them before this committee. I

am going to be absolutely frank, and I am going to tell the truth, although some of it is not pleasant to tell, especially as it involves criticisms of many people. My excuse must be that I have given really almost every waking hour for the last 4 years to this problem of public housing, and I feel very deeply about it, and therefore I naturally may express myself strongly, and I hope you will understand it in that way.

The CHAIRMAN. We are glad to have you do that. Sometimes a good kick helps the situation out very materially, so proceed.

Mr. STRAUS. Thank you.

I want to pass over rather rapidly the relationship between housing and national defense, because you have before you the record of the Tolson investigating committee, you have before you the work of your own investigators, and you know that the provision of adequate defense housing on time and at the right cost to the occupants is as important as having enough ships in the Pacific and enough ships in the Atlantic. You know also that the country is not getting adequate defense housing on time and, of course, the defense workers can't afford to pay. You know all these things better than I do, and so I would like to discuss more specifically and directly what I believe is wrong with the way the job is being done, and then if you will allow me to do so to make suggestions as to how it ought to be done.

The CHAIRMAN. That is what we want. We would like to have somebody come here once with a constructive suggestion that will get the job done. If you can do that you will be a genius.

Mr. STRAUS. I don't make, Senator, any pretense of being a genius, but I think when you have worked on a thing as long as this you have pretty clear ideas as to how the thing could easily be well done.

A year ago when the need for defense housing became urgent, I felt really a sense of exultation as I surveyed the machinery available to meet that need. Throughout the country, in places large and small, there were hundreds of local housing authorities. Today there are more than 600. These local agencies had enlisted the active participation of thousands, several thousands, of representative Americans, men and women, who, serving without pay as authority members, were devoting their energy and their time and their experience to solving the housing problems of their communities. This was a firm foundation of local democratic action, and it seemed to me that we had the basis for a large, economical, and speedy defense-housing program.

Supervising these local housing authorities, there was available the United States Housing Authority, an agency which on the record in the construction of low-cost homes for families of low income had cut costs, not only cut costs below what had been the previous cost of Government public housing, but had cut costs below the average of private industry; had introduced technical innovations by means of a technical staff that I believe is generally recognized in this country as one of the best in Government or in private industry; an agency, the U. S. H. A., that had achieved sound labor relations, and I want a moment to digress and stress that point. It seems to me particularly significant and important, in view of my realization that periods of stress bring difficulties, that the U. S. H. A. had obtained the willing cooperation of labor toward economy and toward a new high record of industrial peace. And may I emphasize this, that up to the time when

the Federal Works Agency and the Defense Housing Coordinator and various building agencies, including the Navy, entered the public-housing picture, there was not one day of loss of time due to strikes in the entire U. S. H. A. program from the Atlantic to the Pacific, and from the border of Canada to the Gulf of Mexico. That record is, I believe, unmatched, and I cite it not in a sense of boastfulness, but in order to indicate what might be done again should the job be given to those who have had experience in doing it.

The U. S. H. A. had translated a dream of slum clearance into a reality. It had done the job and it had done it well. Gentlemen, the job is a complex one. Unfortunately, many people seemed to think that an organization to conduct a Nation-wide housing program can be readily improvised, can be made to order in a hurry, but in all earnestness, I believe that it isn't any more possible to do that than it would be to improvise a Nation-wide agricultural program or a Nation-wide post-office system, or a Nation-wide health program. The problems of a Nation-wide public housing program are complex, are technical, involve legal decisions, a technical organization, and experience, and those things cannot be created to meet an emergency, and they shouldn't be created to meet an emergency when there is an existing organization able and ready to do the job.

I say this because, taking the risk of being accused of partisanship for my own agency, I frankly asked the Congress to give the U. S. H. A. the defense housing job. One step in that direction was taken in the summer of 1940 when the Congress passed Public, No. 671. This action enabled the U. S. H. A. to devote the remnants of existing funds to the construction of defense housing. The 20 projects started in this way, through the use of local housing authorities, were the first defense housing projects to get going. They were the first defense housing projects completed. They were the first defense housing projects to be fully occupied. These projects have been so well conceived and soundly executed that they are generally recognized as the yardstick for defense housing by other groups that have surveyed the field. They involve, I might note, no subsidy for defense workers. Unfortunately, the U. S. H. A. did not have the loan funds to do many defense housing projects, and so at the precise moment when it was imperative to make the most efficient use of existing machinery, unfortunately new and untried devices were resorted to.

The construction of housing with public funds for defense workers, an urgent and pressing need, began to be widely scattered among many agencies and many administrators. The emergency seemed to beget confusion when a little calm was all that was needed. A search for new devices was substituted for resort to functioning and efficient machinery.

First, the War and Navy Departments were given a \$100,000,000 fund for defense housing. I don't think it is unfair criticism of the War and Navy Departments to say that they have not demonstrated preparedness to do this kind of work, especially as to operation and maintenance. I think, as a matter of fact, that they did a far better job in the defense housing than the U. S. H. A. would have done if it had been assigned the job of producing a battleship. It just was that they weren't prepared to do the particular type of

work. I am sure they are doing a marvelous job in providing a two-ocean Navy and effective Army and a strong air force, but they didn't do a good job in the defense-housing field, and I think the record will show it, and they weren't given any more funds for that purpose.

Then the Federal Works Agency was given \$150,000,000 to apportion among various agencies for defense housing. This sum later was increased to \$300,000,000, and there is now a bill pending in Congress to increase it to \$600,000,000.

Much as I hesitate to do so, I wouldn't feel that I was doing my duty to this committee or to the country properly if I did not express my emphatic judgment that this approach to the problem was wrong in its methods, and that administration under this approach has aggravated its basic defects.

First, the Federal Works Administrator apportioned a large share of defense-housing funds to the Public Buildings Administration, an agency which had made a splendid record in building post offices and other similar edifices, but which, so far as I know, had never developed a significant housing project. I protested to the Federal Works Administrator, but obviously I was in no position to make my protest effective. Since this initial mistake, the Federal Works Administrator has moved gradually in the direction of extricating the defense-housing program from the inexperienced hands of the P. B. A. The facts are plain to all today; the tragic cost to the public interest will take years to compute.

Next, the Federal Works Administrator established a Division of Defense Housing, and I want to talk in some detail on that. Gentlemen, there was no more justification for setting up a new agency to do the defense-housing job that the U. S. H. A. was already doing successfully than there would be to set up a division of defense roads to do exactly the job that the Public Roads Administration was already doing successfully. Such action was pernicious and costly in government, just as it would have been in business.

Now, the D. D. H.—this is the new agency set up to do defense housing—looking about for personnel, looked where? They obviously looked to the personnel of the U. S. H. A. and found their most fertile field in raiding our staff. Moreover, the operations of the D. D. H. have constituted a reversion to a centralized administration of the public-housing program in Washington, and tended to hamper the growth of self-reliant local authorities which should be the backbone of any successful housing movement. Persons who visit the field today see projects located without regard to local needs and clashing with justifiable community sentiment. That is not the way to building a defense-housing program.

Next, the Federal Works Administrator, no doubt pressed hard by other eager outstretched hands, sought still additional methods of getting defense housing done. Some money was made available to the Farm Security Administration, to the T. V. A., and within the F. W. A. itself another unit was set up, the Mutual Ownership Division of Defense Housing, under Colonel Westbrook. I don't know exactly what they do, sir.

The CHAIRMAN. They don't either, so proceed.

Mr. STRAUS. In addition to all of these devices, the Federal Works Administrator—

Senator HATCH (interposing). May I ask you a question, Mr. Straus? Can you tell me how many agencies are now engaged in defense housing?

Mr. STRAUS. I believe about 12.

Senator HATCH. Twelve? More or less competing with each other?

Mr. STRAUS. Yes, sir.

In addition to all these devices, the Federal Works Administrator allowed some funds to the U. S. H. A. and local housing authorities, but very little, and what have been the consequences? Week by week the defense-housing production charts in the Federal Works Administrator's office—he has a chart that shows how the program is progressing—began to show the U. S. H. A. and the local housing authorities getting further and further ahead of their competitors, and I use the word “competitors” advisedly. The U. S. H. A. was generally substantially ahead of schedule, for which our excellent staff deserves the credit. The other agencies were generally substantially behind schedule, and I was interested to note that when the Federal Works Administrator appeared before your committee, three-quarters of the projects on the chart which he brought up to show you were U. S. H. A. projects.

Mr. FULTON. What is the percentage of the total that U. S. H. A. has? It is less than three-quarters, isn't it?

Mr. STRAUS. Of the first \$150,000,000 made available, the U. S. H. A. was assigned for construction 36 percent of the family dwelling units involved. Of the second \$150,000,000 made available it was assigned 32 percent.

Gradually, but inevitably, the capacity of the U. S. H. A. to do the job was recognized, but there never has been any clear-cut decision to let the U. S. H. A. do the job, although obviously I have pleaded for that with the Federal Works Administrator repeatedly. Instead, a most extraordinary thing was done. As it was discovered that the U. S. H. A. was best equipped to do land acquisition, it was given the land acquisition job, or, more properly and clearly, our land acquisition staff was taken and utilized by the D. D. H. and the P. B. A. to do their land work. It was discovered that we had succeeded in getting the cost of electric current in our projects to about half what normally is charged. Our Utility Section, exceptionally competent and with a wonderful record of achievement, was taken over and utilized and ordered about by the D. D. H. and the P. B. A. and Colonel Westbrook's shop and the other people. As it was discovered that they were successful in arranging with communities for payments in lieu of taxes, our staff to do that was taken away, and its time divided in serving these other agencies.

I have already remarked that if we didn't accede to that arrangement, our staff members were coaxed away by higher salaries which these new agencies using defense funds were able to pay, the extraordinary part being that these trained staff members were separated from U. S. H. A. supervision and they had to teach their new supervisors what their jobs were.

Senator HATCH. I want to ask you a question there. You puzzle me a little bit about taking these staff members from you. I have always understood there was a law or regulation or rule, or something, that

one department could not take a member from another agency at a higher salary.

Mr. STRAUS. Senator, that is true as between different Government agencies, but remember, this was all within the Federal Works Agency, and I was completely helpless. I can give you a list of our keymen that were transferred to these other agencies, men that I trained, men that were an integral part of our staff, and my protests were of very little avail.¹

Senator HATCH. I would like to have that list furnished and included in the hearing.

The CHAIRMAN. Make it a part of the record.

Mr. STRAUS. Once the new supervisors in the various housing agencies learned their jobs from their subordinates, or thought they had, they commenced to expand. Bit by bit they flung offices into the field. The D. D. H. now has duplicated our organization on the west coast, has duplicated it in New England, and has duplicated it in the Pittsburgh area, copying our regional offices, the relations of those regional offices with the local authorities, so that the local authorities in those regions are dealing with two separate offices and two separate agencies representing the Federal Government and doing exactly parallel work because they copied our techniques and have taken our staff. Now, if local housing authorities protested, and they protested loud and vigorously, and if they urged the recognition of their tested capacity to serve, they were threatened with complete banishment from the defense housing program unless they kept quiet.

I would like to read a piece of a letter into the record here.

The CHAIRMAN. Go ahead.

Mr. STRAUS. This is a letter to the U. S. H. A. director for region VII, that is our region on the coast, dated July 15, 1941. It is from the Director of the D. D. H., the Director of Defense Housing for the Federal Works Agency, and this is the sentence:

If we are continually embarrassed by the fact that we allow an inexperienced authority to construct, under the supervision of the United States Housing Authority, but do not allow them to manage the project, our recourse will have to be the exclusion of such authorities even from construction. I hope we will not have to resort to this.

Now, what was the cause of that threat? It was the legitimate protest of that local authority against the decision of the Federal Works Administrator as he was setting up, and now has set up, a new and duplicating management staff in the Federal Works Agency to manage all defense-housing projects, whether constructed by local housing authorities, by the P. B. A., by the T. V. A., by the Farm Security Administration, or by the U. S. H. A. The U. S. H. A. felt, and I protested, that the management of public housing, including tenant selection, is even more closely tied to local problems and local sentiment than the construction, and the U. S. H. A. felt that while the construction of defense housing and other public housing is similar to the construction of private housing, the management and tenancy policies of public-housing projects is a new problem and involves very complex, new subjects, and that there was really only one staff in the country that had had contact with those problems, and that was our

¹ Mr. Straus subsequently furnished this list which is included in the appendix on p. 2825.

own staff, after 3 or 4 years of experience. We urged that defense-housing projects should be managed by local authorities, supervised by the U. S. H. A. staff, or where there were no local authorities, the U. S. H. A. could temporarily manage them directly.

I felt and I urged that it was unwise, uneconomical, and fraught with danger to the whole defense-housing program for the Federal Works Administrator to set up a new and untried management staff to run tenant relations from Washington.

My worst fears, unfortunately, were soon realized. With rents on some projects established by the U. S. H. A., and rents on other projects in the same areas established by the Federal Works Administrator, there was no uniform treatment of the market to be served. More than that, new and untried Federal managers with no experience started to innovate rent policies that were unworkable, kept projects unfilled, either because the rent schedules were wrong or because they had no rent schedules, as they did not have in many cases.

I remember when our project in Pensacola was finished I couldn't find anybody to turn the keys over to for 3 days, although they were clamoring down there for housing. [Laughter.] It wasn't funny to me.

Senator HATCH. That sort of thing isn't funny to the country, either, Mr. Straus.

The CHAIRMAN. Not at all.

Mr. STRAUS. These inexperienced Federal managers commenced tenant selection far too late to assure the filling of projects properly. They simply had no grasp of the very complex problems of tenant selection.

Then the apologies commenced. Take, for instance, the project built under the U. S. H. A. program in Boston. That project was sold to the Federal Works Agency. Why? Because it enabled the defense workers in Boston to have housing that was nearing completion, which they needed, and, on the other hand, gave us funds for an additional slum-clearance project to be built later. That was perfectly sound, but instead of using the U. S. H. A. to supervise management and to formulate rental and tenant-selection policies, as I pleaded with the Administrator to allow us to do, he insisted that the new F. W. A. Management Division should take over. It did. For a long time they didn't even know where to begin. They couldn't decide on management policies or determine which defense workers were to be served. What happened in Boston is happening elsewhere throughout the country.

Gentlemen, if we had been allowed to tenant that Boston project as we have tenanted other projects, it would have been filled promptly with the defense workers for whom it was intended. It's wrong, it's wicked, to make the statement that defense housing isn't needed when it is the clumsiness and ineptitude of the agencies administering it that have kept the tenants from getting the housing they need.

Of course, when projects are not filled on time the Defense Housing Coordinator and the Federal Works Administrator indulge in mutual recriminations, but the facts are clear, and I would like to emphasize this. Defense-housing projects constructed with the remnants of U. S. H. A. funds and managed by local housing authorities under the supervision of the U. S. H. A. have an occupancy of 97

percent of the dwelling units available for occupancy. Projects managed or supervised by the D. D. H. under the Federal Works Agency have an occupancy of only 70 percent of the available units.

It is no explanation of the low occupancy rate on defense-housing projects to say that there is no need. There is a need. That need was pointed out in a message to the Congress by the President, dated June 26, 1941, asking additional funds for defense housing. The President said, and I quote him:

I am convinced, from information presented to me by heads of interested departments and agencies of the Government, that there remain further needs which cannot be provided for except by the enlargement of the authorization under this act. * * * Data have been presented to me which indicate the possibility that the Government should be prepared to undertake the construction of at least 125,000 additional defense homes between now and July 1, 1942.

Besides this need for 125,000 additional defense homes by the middle of next year, the President has already determined that there is a need for the 125,000 defense homes for which allocations have already been made. So that there is now a recognized need for at least 250,000 defense homes to be provided under the public-housing program.

Everyone knows that there is this vital need for defense housing, but, gentlemen, there is an equally vital need for placing the responsibility for defense housing in one place and in making sure that the responsibility is placed with an organization that has demonstrated its competence in this highly complex and novel field.

I cannot emphasize too much the urgency of the need for housing for defense workers at rents they can afford, because much of the alleged defense housing is being provided today at rents that they can't afford, of which I will have more to say later. There are acute housing shortages because of defense activities in many areas, and gentlemen, regretfully, but for the record, I want to predict now desperate housing conditions in many defense centers next winter that will hamper the defense program, that will cause dangerous congestion, and that I fear are going to cause serious epidemics. I do not make that statement lightly. I make it after most careful surveys through our local housing authorities as a result of what has happened throughout this country. All of this could have been avoided if there had been an early enough recognition of the real housing need and if the tested machinery of established housing agencies had been used to meet that need.

Now, gentlemen, I come to the most serious part of my speech. In an effort to facilitate "business as usual" in the field of defense housing, a device was evolved by the Defense Housing Coordinator to utilize the desperate need of defense workers for shelter in order to force them into the purchase of homes. That work was added to the other work of the Federal Housing Administrator as title VI. I would like to characterize title VI for the record as the most vicious piece of legislation that has been enacted within my memory in the field of housing, under the spur and drive of selfish real-estate interests. I will have much to say of that as I go along.

Title VI of the F. H. A. not only does not produce homes within the means of the average defense worker—and I have detailed figures on that—but it diverts part of the workers' pay check into the pur-

chase of a house that he will probably lose when he loses his job at the end of the defense emergency. Title VI takes advantage of the workers' need for shelter, to saddle him with a continuing burden of payments on a house that he possibly or probably will not want or need when the defense emergency is over. Title VI operates to increase installment selling now, at the very time when installment selling to avoid inflation should be discouraged. Title VI will be deflationary when the defense emergency is over, and thousands of defense workers will lose their homes, under foreclosure, and the homes will be dumped on the real-estate market to constitute a blanket on all building at the very time when we need a building boom. A public policy designed to anchor to home ownership low-income defense workers whose employment status is least secure, is ill-conceived, unsound, and subversive of the true American ideal of sound and permanent home ownership.

Under the terms of title VI, the banker and the builder are given 100 percent protection by the Government for the risk they are assuming. There is absolutely no protection of any kind given the worker.

Title VI will divert into the purchase of the house part of the weekly pay check which should go into the savings bank or defense bonds as protection against the rainy day that may come when the defense emergency is over.

And now, gentlemen, I would like to insert in the record, if I may, a letter that was written under circumstances that may perhaps account for its somewhat overemotional tone. When title VI was being discussed in the Halls of Congress, I was having the newspapers read to me because of an eye operation in a New York hospital, and I became so excited about the thing that I drafted a letter which I insisted upon sending to the Vice President, as the bill was then in the Senate, and to various other people immediately concerned with what I thought was a vicious thing. The only reason I touch upon these personal matters, which otherwise would not be mentioned, is that the letter has, as I re-read it now, a rather emotional tone. The facts are as I there state them, and I would like you to allow me to put it in the record as evidence that my criticisms today aren't recent or in the light of what has happened, but are on the basis of study made then. May I read it?

The CHAIRMAN. Proceed.

Mr. STRAUS. It is dated March 20, 1941.

MY DEAR MR. VICE PRESIDENT: A bill has passed the House and is now being considered by the Senate Committee on Banking and Currency which is so inimical to the cause of proper housing for working people that I cannot refrain from expressing my views about it.

The bill (H. R. 3575) in effect provides 100 percent financing for speculative builders of houses to be sold to workers in defense areas. Supporters of the bill urge its enactment on the ground that uncertainty of continued employment in such areas prevents private builders from putting up houses, even with 90 percent financing provided under the present Federal Housing Administration Act.

If continuation of industrial activity in these areas is so uncertain that builders will not go ahead with 90 percent low interest mortgages insured by the Government, then H. R. 3575 is worse than bad business—it is certain to load the defense workers with houses for which they will not be able to continue payments when the defense emergency is over.

The result of the enactment of this bill would be to give away millions of public funds to speculative builders to enable them to sell homes on the installment plan to workers whose probable inability to meet the installments is the very justification urged for enactment of the bill.

After the defense emergency is over, when the purchasers have lost their homes and their savings tied up in these homes, the houses will be dumped on the real-estate market, clogging it at a very time when there will be need for construction on a large scale to take up the slack in employment.

H. R. 3575 is a speculative real-estate operator's dream come true. To pass it would make the Government a party to a scheme in which the Government will take all the risks, the workers will endure all the hardships, and the only beneficiaries will be a few real-estate speculators operating with Government funds.

The \$100,000,000 provided in the bill is only the beginning. May I earnestly urge you to do everything possible to defeat the efforts of those pushing this bill—men who are willing to use the defense emergency as a smoke screen for the enactment of a piece of vicious legislation that would go far toward nullifying all the housing progress of the past few years.

Faithfully yours,

NATHAN STRAUS.

It is addressed to the Honorable Vice President. The same letter was sent to Hon. Henry Morgenthau, Jr., Secretary of the Treasury; Mr. Sidney Hillman, Associate Director General, Office of Production Management, and a carbon copy to Hon. John M. Carmody, Administrator of the Federal Works Agency.

I want to dwell on this a little more, if you will allow me. The National Association of Real Estate Boards, which was the agency that put over this legislation, in its confidential weekly letter, dated April 14, 1941, proclaimed with what I term refreshing candor:

An attractive feature of the title VI program is that it hasn't a great many restrictions. A builder has no strings on him as to who should rent or buy his homes.

Moreover, the association pointed the way clearly to future objectives in the same letter with these words:

The \$100,000,000 will be exhausted quickly, perhaps within 2 or 3 weeks. If this new plan of Federal Housing Administration financing works well and builders and realtors are satisfied with it * * *.

You notice that wording [reading]:

If this new plan of Federal Housing Administration financing works well and builders and realtors are satisfied with it * * *.

Not if the public is satisfied, not the defense housing program, not the workers in national defense, but the builders and realtors. They put it over, and they are frank about telling us so. [Reading:]

If this new plan of Federal Housing Administration financing works well and builders and realtors are satisfied with it, it is proposed that Congress be asked to increase the amount by another two hundred or two hundred and fifty million dollars.

They prophesied correctly, gentlemen. In September the F. H. A.'s powers under title VI were increased by \$200,000,000.

On September 19, 1941, at the United States Conference of Mayors, I said—and I want to read two brief statements from that speech again merely as an indication that what I am giving you isn't new or isn't half-baked, but things that I have been thinking about and saying for a long time. This is a quotation from that speech.

Private enterprise, even with the aid of the Federal Housing Administration, has thus been unable to provide any substantial supply of housing within the means of families with incomes similar to those of the great majority of defense workers. It is impossible for me to believe that, under the stress of a national emergency with prices rising, private enterprise will be able to accomplish in a few months what it has been unable to accomplish over the last few

years * * *. It is dangerous to delude ourselves with the assumption that private enterprise can do or will do what any study of the figures will demonstrate it cannot possibly do.

And further, again quoting:

We do not have to devise a new method of doing the job or to guess at the results that it will produce. We do not have to worry whether costs will be low enough or completion dates quick enough. For there is a Government agency now engaged in building defense housing and doing it quickly and well * * *. I refer of course to the local housing authorities operating under the United States Housing Authority program.

It is sad to realize how much further along we would be if that advice had been heeded. Since that speech, economic conditions have improved, but the basic situation is the same.

I would like to read some figures on the incomes of defense families and the housing that is provided by private enterprise with the aid of the F. H. A. The figures are brief, simple, and they go into one paragraph.

Forty-five percent of the families of defense workers today have incomes of less than \$1,750 a year, and can afford to pay not more than \$30 a month rent on the generally accepted basis. This estimate is based upon a survey of the Bureau of Employment Security of the Social Security Board. Forty-five percent of the families of defense workers, a little less than half, have incomes of less than \$1,750 a year, and can afford to pay not more than \$30 a month rent.

The F. H. A. from 1935 to 1940—this is their own record—provided rental housing of which only 1.9 percent rented for \$30 or less, and were within the means of families with incomes of \$1,750 or less.

The F. H. A. in 1940—and I am taking the most favorable figures—provided single family houses only 9.5 percent of which were within the means of workers with incomes of less than \$1,750.

In essence, 45 percent of your defense workers are in an area where, even under the most favorable conditions, private enterprise is unable to meet their needs. That was true when I made that original speech. It is equally true today. And that fact has never been frankly faced and recognized in terms of legislation designed to provide housing for these people, which can be provided only under a public-housing program. We continue to allow ourselves to be deluded by the real-estate lobby that says that private enterprise will do the job.

I want to get now into the subject of priorities. The Defense Housing Coordinator's desire to expand his operating functions and his predilections for private housing are playing havoc today with the whole priorities situation. About 4 or 5 weeks ago, when S. P. A. B. was set up, Mr. Donald Nelson, through his representative, Mr. Sullivan Jones, sent for me, and within 48 hours we had a system worked out whereby this housing in defense areas under way by the U. S. H. A., under its regular slum-clearance program, would get priorities. The Defense Housing Coordinator said no, that no priority would be granted without his approval. I again inquired as to what the U. S. H. A. should do to obtain his approval. I was not able to find out, and I still do not know exactly what he wants, although we have submitted many, many applications to him in the form which we thought would suit his wishes.

The facts are that the Coordinator only yesterday directed the U. S. H. A. to submit to his office for review all plans and all specifications

for projects asking for priorities. Gentlemen, some of those plans weigh 30, 40, 50 pounds apiece—some of them over a hundred pounds. There is no earthly reason, except a grasping for power, that the Coordinator should set up a duplicating technical staff to make such reviews. The O. P. M. is fully content that the technical staff of the U. S. H. A. can review plans and specifications submitted by local authorities, and can make necessary eliminations of scarce materials.

My position, gentlemen, is this: Once the Housing Coordinator has defined defense housing critical areas, and once the U. S. H. A. has certified that it is constructing houses in these areas and that we will make such housing available on a preferred basis to defense workers, the O. P. M. ought to have the green light to give priorities at once. The O. P. M., let me emphasize, is ready, and has been ready for over a month, to do so, but there has been a delay, and there is still a delay that is criminal in its effect on housing in defense centers next winter due to interference by the Defense Housing Coordinator.

The U. S. H. A. is receiving splendid cooperation from Mr. Donald Nelson's office. The procedure between the U. S. H. A. and the O. P. M. was agreed upon more than a month ago, but the Coordinator continues to hold things up. As a matter of fact, the Housing Coordinator is now holding in his office applications for 83 projects urgently needed for defense workers on which the work is being held up because he won't allow those applications to go through to the O. P. M. as applications for priorities.

Under date of October 15, 1941, I received a letter from the chairman of the priorities committee of the Western Association of Housing Authorities, a very representative body on the coast, comprising all the local housing authorities. May I read a little piece of that letter in the record?

The CHAIRMAN. Yes.

Mr. STRAUS (reading):

It does seem very strange that speculative builders in San Francisco are obtaining priorities with no difficulty while our low-rent housing program is now completely stopped.

That was dated October 15, gentlemen.

Mr. FULTON. Is that from Father McLaughlin?

Mr. STRAUS. Is Father McLaughlin chairman of the priorities committee? No; I don't think he is. I think this is from Mr. Evers, of San Francisco.

Mr. FULTON. He is chairman of the entire authority.

Mr. STRAUS. Father McLaughlin is chairman of this organization, and this man is only chairman of its priorities committee. He is Al Evers, I am almost sure, the executive director of it.

The CHAIRMAN. Father McLaughlin appeared before this committee and set out some of the things——¹

Mr. STRAUS (interposing). Am I duplicating?

The CHAIRMAN. No. Proceed.

Mr. FULTON. He took roughly the same position you do on decentralization and on the desirability of consulting the local housing authorities.

Mr. STRAUS (reading):

It does seem very strange that speculative builders in San Francisco are obtaining priorities with no difficulty while our low-rent housing program is now

¹ Supra, pp. 2552-2555.

completely stopped. Would it not be in the interests of common sense to allow one branch of the Government to complete its program without being stopped by another?

Of course, he feels very keenly about it because his project is 1 of those 83 that are reposing in the Defense Housing Coordinator's office.

Gentlemen, that is about the end of my statement. I have deemed it vitally important to speak in general terms, to enunciate general principles, to attempt to clarify the atmosphere. It seems to me fundamental that tested machinery and not new devices should be used in the emergency. It seems to me fundamental that the facts about speed and costs and adequate planning are the only safe guides as to where competence rests. It seems to me fundamental that these things must be said and that we must seek, with your assistance, to have them acted upon.

Thank you, gentlemen.

Senator HATCH. Your testimony has impressed me, Mr. Straus. It has reminded me of a fable I read one time. There was a man who set out to build a house, and, being a considerate man, he called in all of his neighbors. He wanted to get their ideas on the kind of house he should build. They all advised him, and he consulted and consulted, and as a result of the confusion and the lack of agreement, the poor man never built his house. He worried all the balance of his life as to which of these proverbs were true: "In the multitude of counsel there is wisdom." And the other: "Too many cooks spoil the broth."

Mr. STRAUS. It fits in perfectly.

I think you could steer a middle course. I believe in a multitude of counsel, but I do believe that one person should be put in charge and should be held responsible for doing the job.

Senator HATCH. You also believe that too many cooks spoil the broth.

Mr. STRAUS. Yes; I do.

The CHAIRMAN. Isn't it a fact that the people who are familiar with local building conditions and who are on the ground are much more likely to know how to meet the conditions as they come up than somebody sitting in an office here in Washington?

Mr. STRAUS. I do believe that.

The CHAIRMAN. It seems to me that is common sense and ought to go without much argument.

Do you have any questions, Mr. Fulton?

Mr. FULTON. I wanted to raise a question of cost plus, Mr. Straus. The usual argument for cost plus is that despite its obvious defects, it leads to rapidity, and in our investigation we noticed that the P. B. A. had had 112 cost-plus projects out of a total of 147, and that your organization had let none, and yet our comparisons of time and speed indicated that you succeeded in making even a better record in that respect than the P. B. A. Could you tell us something about your attitude toward cost-plus and whether you think it necessary that we use that rather defective instrumentality in this defense housing program?

Mr. STRAUS. First, I personally dislike cost-plus jobs. I was in private business for a great many years, and I always avoided them. I do not believe that it should be necessary to have cost-plus used, and I had a feeling at the time that it was first started that it was

just seeking an excuse for delays, to say that the competitive bidding system was what was causing the delays of the P. B. A. That is not seeking its true cause. We have been successful in using competitive bidding and not cost-plus. We have, I think, consistently bettered the speed records of the other Government agencies by reason of a more efficient technical staff. If you want to question more in detail, Mr. Seaver, Assistant Administrator for Development, is here and could talk better on that than I can.

Mr. FULTON. At least you have found it possible both to achieve the same speed and to make the saving incident to accepting the lowest bid in your work.

Mr. STRAUS. That is right.

Mr. FULTON. Mr. Straus, in fairness to your agency, I suppose we ought to say that we had two investigators over there for the better part of a month, and we don't find, perhaps due to our carelessness, any subjects of criticism.

Mr. STRAUS. That is very gratifying, sir, and particularly gratifying to our staff, which, I want to emphasize, really deserves the credit for building up an organization which, for efficiency in doing its job, is unsurpassed by anything that I have seen in business or in public life. We have created something there, a technical staff, to do public housing through local agencies.

The CHAIRMAN. You are dealing through local agencies.

Mr. STRAUS. Through local agencies.

The CHAIRMAN. Your plan is to utilize the people on the ground.

Mr. STRAUS. Yes, sir.

The CHAIRMAN. And your staff is merely in Washington for the purpose of making use of the local agency; isn't that correct?

Mr. STRAU. Absolutely correct.

The CHAIRMAN. I think that is the answer to the whole situation, and it gives me a good deal of pleasure to compliment you on what you have accomplished, and I hope that the statement which you have made will have some effect in arriving at a conclusion so we can use local agencies to carry on the rest of this program.

That is all, Mr. Straus. Thank you very much.

The committee will recess until Friday at 10:30, when we will talk with the Aluminum Co. of America.

(Whereupon, at 11:25 a. m., the committee recessed until 10:30 a. m., Friday, October 31, 1941.)

INVESTIGATION OF NATIONAL DEFENSE PROGRAM

FRIDAY, OCTOBER 31, 1941

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE NATIONAL DEFENSE PROGRAM.

Washington, D. C.

The committee met at 10:38 a. m., pursuant to adjournment on Wednesday, October 29, 1941, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman) and Senator Tom Connally.

Present also: Hugh A. Fulton, chief counsel; Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order. Mr. Wilson and Mr. Ewing, will you please take the chairs?

Both of you have been sworn by this committee, haven't you?

Mr. EWING. I haven't.

Mr. WILSON. I have.

The CHAIRMAN. Mr. Ewing, do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. EWING. I do.

The CHAIRMAN. Mr. Fulton will proceed with the examination.

TESTIMONY OF I. W. WILSON, VICE PRESIDENT, ALUMINUM CO. OF AMERICA, PITTSBURGH, PA.; AND OSCAR R. EWING, HUGHES, HUBBARD & EWING, NEW YORK, N. Y. COUNSEL, ALUMINUM CO. OF AMERICA

NEGOTIATIONS BETWEEN GOVERNMENT AND ALCOA TO INCREASE ALUMINUM PRODUCTION

Mr. FULTON. Mr. Wilson, are you familiar with the negotiations that have existed with respect to the possible increase in the aluminum and alumina production of the Nation which was started some time in May of this year?

Mr. WILSON. With O. P. M. you refer to now?

Mr. FULTON. With O. P. M., the Defense Plant, or the War Department, or any other agencies.

Mr. WILSON. Yes, I think I am reasonably familiar with the negotiations or discussions with O. P. M. I am not so familiar with any further negotiations with the Defense Plant Corporation.

Mr. FULTON. And that is because Mr. Arthur Davis has more or less exclusively conducted those negotiations, instead of yourself?

Mr. WILSON. That is correct.

Mr. FULTON. Did he inform you at the time of the negotiations he was having and what was said by him and what was said to him?

Mr. WILSON. No; I would say that he did not in any such detail as that. In a general way I was advised of what the developments were, but not in great detail.

Mr. FULTON. You are the vice president in charge of production of the Aluminum Co., are you not?

Mr. WILSON. I am.

Mr. FULTON. And as such did you not follow closely all proposals that were made by the Aluminum Co. or were made to it?

Mr. WILSON. With the O. P. M., yes.

Mr. FULTON. Or with the Defense Plant?

Mr. WILSON. There were to my knowledge no detailed discussions with Defense Plant Corporation as to the program. The discussions with Defense Plant Corporation have been in connection with the contract to cover the program as recommended by O. P. M. and the War Department.

Mr. FULTON. Would you be the official in charge of construction and operation of these plants by the Aluminum Co.?

Mr. WILSON. Well, I would as far as operation. As far as construction, our chief engineer is the one who would have direct responsibility for the construction.

Mr. FULTON. Is he a vice president?

Mr. WILSON. No; he is not.

Mr. FULTON. Is he a subordinate of yours?

Mr. WILSON. No; he is not.

Mr. FULTON. About the early part of May, shortly before the middle of May, the committee developed from the O. P. M. that they had then discovered the desirability of increasing the aluminum capacity of the country by approximately 600,000,000 pounds annually.¹ Did the O. P. M. ask the Aluminum Co. to formulate a specific proposal as to what it was willing to do in that connection?

Mr. WILSON. In general, I believe the answer to the question is yes, that we had numerous or nearly constant discussions with O. P. M. in regard to increasing the production of aluminum.

Mr. FULTON. Starting when?

Mr. WILSON. Starting at the time practically that the Defense Council was formed in June 1940, and the Defense Council then was subsequently succeeded by O. P. M.

Mr. FULTON. When did you first hear that there was any suggestion of increasing the capacity by this 600,000,000 pounds that is now under discussion?

Mr. WILSON. Well, I don't recall the exact time, but I think that was a little later than the middle of May. I would have thought that was possibly in early June of 1941.

The CHAIRMAN. June of 1941?

Mr. WILSON. That is correct.

Mr. FULTON. Well, you are familiar with Mr. Batt's testimony to the committee to the effect that the O. P. M. decided we needed the 600,000,000. That was early in May. What is the first conference you can recall that had anything to do with carrying out that 600,000,000 program?

¹ See Hearings Part 3.

Mr. WILSON. Well, if I have the approximate dates correctly in my memory, we had a discussion with O. P. M. early in May at which time I thought that the figure mentioned was about 300,000,000 or 400,000,000 pounds. I don't think it had reached the 600,000,000 stage at that time.

Mr. FULTON. I show you a letter from Mr. Knudsen to Mr. Jones dated May 24 and ask you if that does not refresh your recollection of the 600,000,000, which is the exact figure Mr. Batt has discussed with the committee?

Mr. WILSON. I have never seen this letter of May 24 from Mr. Knudsen to Mr. Jones.

Mr. FULTON. When did you first learn, Mr. Wilson, that the United States had been recommended by the Office of Production Management to increase its capacity by 600,000,000?

Mr. WILSON. Well, that is what I am trying to pick out of my memory, Mr. Fulton. I would have thought it was early in June. If there were something that would refresh my recollection. I do know that during May, the early part of May, we were discussing a very major expansion, but I don't think that the figures mentioned at that time were as large as 600,000,000.

Mr. FULTON. You mean simply that it wasn't at that time said that the Aluminum Co. would do the whole 600,000,000 and they were discussing with you what fraction you were willing to undertake to do and on what terms. Isn't that correct?

Mr. WILSON. That is not correct. The background leading up to those discussions early in May were continuous discussions during which the Aluminum Co. of America had offered to expand its production to whatever extent it was in the first place felt increased production was desirable; and, in the second place that power could be made available for that expansion; and the third factor which had not entered into it but naturally would be a controlling factor if the program was expanded very largely, would have been the financial ability of the Aluminum Co. of America to undertake that expansion on its own credit.

Mr. FULTON. Without borrowing money or pledging its assets?

Mr. WILSON. It would have needed to borrow money but might have exhausted its present facilities.

Mr. FULTON. Can you produce any proposals that you made to the Office of Production Management on any part of this 600,000,000 program. I understand you wrote a letter in May.

Mr. WILSON. We first wrote a letter in April, I believe April 17.

Mr. FULTON. May we have that letter?

Mr. WILSON. I am sorry; I don't have a copy of that with me.

Mr. FULTON. Do you have a copy of the May letter?

Mr. WILSON. Mr. Ewing has it. In the April 17 letter, in the letter I refer to as the April 17 letter, we made a suggestion as to how we thought an additional 100,000,000 pounds of production could be obtained if the power at the locations we proposed to make the expansions could be obtained.

Mr. FULTON. And what location was that, Mr. Wilson?

Mr. WILSON. Those were at Alcoa, Tenn.; Massena, N. Y.; and I think at Vancouver, Wash., with Bonneville power.

Mr. FULTON. Do you have in mind any particular block of power that had been allocated to any other company?

Mr. WILSON. No; I don't recall that there was any question such as that.

Mr. FULTON. Was the power at Vancouver power that was available there at that time free from any option to any other company?

Mr. WILSON. So far as we know; yes.

Mr. FULTON. Was not power that had been allocated to plants?

Mr. WILSON. Oh, no.

Mr. FULTON. On what terms were you proposing to build those three plants? Would the Aluminum Co. build them themselves?

Mr. WILSON. The Aluminum Co. themselves would build them as part of their own plants already at those locations.

Mr. FULTON. And with its own funds, to be raised by bond issue or open-market credit?

Mr. WILSON. Presumably open-market credit.

Mr. FULTON. Did the O. P. M. indicate an interest in having those built?

Mr. WILSON. They had.

Mr. FULTON. Did they make any recommendation with respect to them?

Mr. WILSON. I think not in response to the April 17 letter.

Mr. FULTON. Did they advise you to see any persons with respect to the power or did you have any negotiations with respect to the power?

Mr. WILSON. Yes; I know we did have, but I can't recall the exact sequence at that time. I know that on May 3 or 4, that is early in the month of May, we had a detailed discussion with the O. P. M. people in charge of the aluminum program and as a result of that discussion we changed the program as suggested in our letter of April 17 provided, if I may put it that way, in a letter addressed to Mr. Knudsen on May 12 so that the May 12 recommendation was a substitute for the April 17.

Mr. FULTON. May we have the copy that Mr. Ewing has of that letter?

(The letter was handed to Mr. Fulton.)

Mr. FULTON. Well, you state here that Alcoa suggests subject to further consideration and change, the following program: to enlarge the Alcoa, Tenn., plant ¹—

for the production of an additional 30,000,000 pounds per annum of aluminum, Office of Production Management or other Government agency to arrange for the purchase by Alcoa of the necessary power (40,000 kilowatts) from the Tennessee Valley Authority on terms and at a price acceptable to Alcoa.

Did you state to the O. P. M. what those terms and prices that were acceptable to you were?

Mr. WILSON. No; we did not.

Mr. FULTON. Did you ever build any plant there, or anywhere else, with your own funds?

Mr. WILSON. We have built a great many plants with our own funds.

Mr. FULTON. I mean at any time after this date, May 12. At that time you expected to use your own money. Have you proceeded with the erection of any plant there at Alcoa or anywhere else with your own funds?

¹ See Exhibit No. 149, appendix, p. 2808.

Mr. WILSON. Yes; we have built three new units which are being constructed at Alcoa today, to be completed early in next year.

Mr. FULTON. Units that you started after the 12th of May of this year in accordance with this program?

Mr. WILSON. No; not in accordance with that.

Mr. FULTON. The fact is you abandoned the program of constructing any plants with your own funds. Is that correct?

Mr. WILSON. I believe that is correct. My hesitancy arose from the question as to when we actually authorized the last addition at Alcoa, as to whether it was subsequent to May 12 or not, but there is no question in my mind it was not a part of the program as set out in the letter of May 12, even though it may have been authorized subsequent to May 12.

Mr. FULTON. You stated, I think, that the plant was to come into production next year.

Mr. WILSON. Early next year.

Mr. FULTON. And by early do you mean in the spring?

Mr. WILSON. Yes. These are three units each of about 30,000,000 pounds a year capacity. One of them will start about January, another about February, and the third about March. That is the schedule laid for them. Possibly those can be pushed up a month. If they can be they certainly will be.

Mr. FULTON. Does that assist you in determining when the Alcoa determined to spend its money to create those facilities by reason of your knowledge of the time that it takes for you to select sites and order machinery and construct and put into operation plants? Does that assist you in fixing the date?

Mr. WILSON. No. As I say, Mr. Fulton, there is no question in my mind; none of these three additional units of Alcoa are as contemplated in that program in the letter of May 12.

Mr. FULTON. And you might furnish us with the date on which you first decided to build these three units that you talk of as being available next year?

The next subdivision of your letter refers to increasing the Massena plant by an additional 70,000,000 pounds per annum if the O. P. M. or some other governmental agency should arrange for the purchase by Alcoa of the necessary power on terms and at a price acceptable to Alcoa. That is one of the places where you are planning to expand production in a plant to be built with Government funds, is it not?

Mr. WILSON. That is correct.

Mr. FULTON. So in that case you originally proposed to use your own money to construct the plant, but you have now decided to use Government money for that purpose.

Mr. WILSON. With a quite different program. The program you refer to from the letter of May 12 was based on power to be available from Canada. It subsequently developed that that power would not be available.

Mr. FULTON. And that other power would or might be available. Is that correct?

Mr. WILSON. I beg pardon?

Mr. FULTON. And that other power would or might be available which could be used at Massena; the power you intend to use will be available there.

Mr. WILSON. Yes; of course.

Mr. FULTON. What is the difference? Is it because the power will cost more money and therefore you want the Government to be operating the plant?

Mr. WILSON. We aren't making that decision at all, Mr. Fulton. That is a decision on the part of O. P. M.

Mr. FULTON. So O. P. M. said to you that they preferred that you not build the plants with your money but that you should use Government money?

Mr. WILSON. I don't believe they put it just that way, but when this program did not materialize, the next thing we know we are told that the Government has this specific program which I believe was in their release of June 27.

Mr. FULTON. When were you informed and by whom that the O. P. M. was not interested in your building this plant with your own money, or did they just drop the negotiations and let them fall?

Mr. WILSON. I believe that that program dropped out of the picture when it became apparent both to O. P. M. and to us that this Canadian power would not be available. The O. P. M. took part in those negotiations in regard to the Canadian power with us because of the necessity of Government permits and governmental allocations in Canada—that is, Dominion allocations in Canada—and the negotiations were largely with the power coordinator (I believe that is his title), in Canada. They were aware as quickly as we were that this program wasn't possible of carrying out.

Mr. FULTON. And then at a later date, I take it some weeks later, the O. P. M., without having any suggestion from the Aluminum Co., made up another program in which the O. P. M. volunteered that it should be a plant at Massena, a Government plant, and not one built with Alcoa money?

Mr. WILSON. That is quite correct, and very decidedly without recommendations of the Aluminum Co.

Mr. FULTON. The Aluminum Co. was at all times willing to build that plant with its own money?

Mr. WILSON. We were willing to make expansions in plant, whether at Massena or at Alcoa, or at Vancouver, but we were finally told, or led to believe, I do not recall that I heard any specific statement to this effect, but we were led to believe that we were not to be permitted to make any more expansion ourselves.

Mr. FULTON. And who stated that?

Mr. WILSON. I said I cannot recall the definite statement to that effect, but I obtained that impression, and I can't point out just where or how.

Mr. FULTON. That doesn't stand out in your mind that some officer of the Government says to the company that it cannot use its own funds to produce aluminum?

Mr. WILSON. It doesn't stand out in my mind specifically, Mr. Fulton, but there had been for a long period of time—by that I mean weeks or several months—in all of our discussions as to what we could do and wished to do in the way of expansion, they were always talking there of what the Government itself would do or should do, so that it was a build-up of a background, and I have no recollection of a specific statement that led up to this June 27 release when it came out to the public that the Government would embark on this large-scale program in Government-owned plants.

Mr. FULTON. You don't suggest that until that public release was issued the Aluminum Co. was under the impression that the Government was still considering the Aluminum Co.'s desire to use its own funds to build the Massena plant?

Mr. WILSON. I don't think I got the question.

(The reporter read the immediately preceding question.)

Mr. WILSON. I would think that we felt that they were. I felt——

Mr. FULTON (interposing). I think you dated that release as late in June when you referred to it a few minutes ago.

Mr. WILSON. I believe it was the 27th of June. We certainly felt that the Government should be and was interested in our expanding production further for the estimated or probable requirements for aluminum. We still feel today that they are.

Mr. FULTON. Now, were you talking with Mr. Bunker about it at that time?

Mr. WILSON. That was before Mr. Bunker was with O. P. M., if I recall the sequence properly. I think he came with O. P. M. early in June.

Mr. FULTON. That would mean, then, that he was not the man who told you that the Government was unwilling to have you use your own funds to build this Massena plant?

Mr. WILSON. That is correct.

Mr. FULTON. Now, was it Mr. Holden?

Mr. WILSON. I am sure Mr. Holden took part in the discussions, but as I don't recall any specific statements to this effect, I wouldn't be able to say whether it was Mr. Holden.

Mr. FULTON. Who else might it have been?

Mr. WILSON. Well, these discussions were with Mr. Moffatt, Mr. Alec Henderson, Mr. Fuller, Mr. Batt, and occasionally with Mr. Knudsen.

Mr. FULTON. Now, which of those can you state it could not have been—by reason of your memory or by reason of your knowledge of their function—try to limit it down and see who it was that told you that the Aluminum Co.'s money could not be used.

Mr. WILSON. I can't say because I do not recall any specific statement.

Mr. FULTON. Well, taking Mr. Henderson, for example. Was his function such that he could make such a statement to you, or would make such a statement?

Mr. WILSON. I think that each one of these gentlemen that I speak of was in a position to have made any statement to that effect or to have discussed that phase of the situation, any one of them.

Mr. FULTON. Do you recall whether two or more of them were present at the time the statement was made?

Mr. WILSON. Yes; I think we usually did in our discussions meet with two or more on a matter of major program planning.

Mr. FULTON. Did you make any memorandum of that discussion?

Mr. WILSON. No; I did not.

Mr. FULTON. Or did you talk about it with anyone in the Aluminum Co. whose memory might be better than yours as to who made that decision?

Mr. WILSON. In most of those discussions Mr. Davis took part, and his memory might be better than mine, I don't know. It was usually he and I.

Mr. FULTON. Now, with respect to the May 12 letter, you also proposed to increase your alumina facilities, and I note that you say that the money therefor, and I am quoting¹—

will be supplied by the Government to Alcoa, either as a loan or under some other plan whereby Alcoa is relieved of the necessity of immediately providing the money.

A loan, however, would mean that you were assuming the capital risk?

Mr. WILSON. That is right. Our thought was, as to the possible need of borrowing from the Government, that our credit position might be getting close to the strained point if not at the strained point because our expansion program then under way contemplated some \$200,000,000 of expenditures for expanding facilities.

Mr. FULTON. Well, does the same testimony that you gave with respect to the Government's being unwilling to permit you to expand your aluminum facilities at your own risk apply to this expansion of the alumina facilities at your own risk with money loaned to you by the Government?

Mr. WILSON. We didn't know at that time that it did. It subsequently developed that that was the position that was taken.

Mr. FULTON. Well, do you know who told you that the Government was opposed to your taking this capital risk involved in expanding the alumina facilities?

Mr. WILSON. I don't think we were told that at that time in May.

Mr. FULTON. And when were you so informed?

Mr. WILSON. I would think it was probably in July, sometime after the June 27 release.

Mr. FULTON. And by whom were you so told?

Mr. WILSON. Well, I believe both by Mr. Bunker and Mr. Batt.

Mr. FULTON. Did they state why they were opposed to your using your own funds for that purpose?

Mr. WILSON. At that time the program had then become a set one for Government plants for the smelting of aluminum and they stated that it was their opinion or their policy or their recommendation, I believe probably recommendation, that the Government-owned smelting plants should be backed by Government-owned alumina production facilities sufficient to operate those Government-owned smelting plants.

Mr. FULTON. Did they say or in any other of their conversations did they refer to the fact that your offer to build these plants at your own risk was coupled with a condition?—and I quote:

for the curtailment of the production of the Government plant in the event of diminution of consumption of aluminum, and so that, if operated after the present emergency, the production from the Government plant will not be prejudicial to the privately owned plants then engaged in the industry.

Mr. WILSON. That was never discussed with O. P. M. to my knowledge.

Mr. FULTON. They never referred to the conditions that you were attaching to the offer?

Mr. WILSON. That is correct.

Mr. FULTON. So that I take it that even though you made proposals dated May 12, a period of 6 or 7 weeks elapsed before any program

¹ See Exhibit No. 149, appendix, p. 2808, at p. 2809.

was submitted to you by the O. P. M., and then that program was one which precluded you from using your own funds in connection with the expansion.

Mr. WILSON. That program was not submitted to us, Mr. Fulton. That program was announced by O. P. M. and the public press, and that is the first advice we had of it. That wasn't submitted to us for any comments we might make.

Mr. FULTON. You mean by that that the O. P. M. specifically determined the amounts that were to be produced by you and the places in a general way where it was to be produced without even consulting you first?

Mr. WILSON. That was later. That was after June 27. They didn't announce who would operate these plants until July 15, if my memory serves me correctly, and between the announcement of June 27 and July 15 they then consulted with us as to which of these plants we were to operate, but the program for the plants was set before consulting with us.

Mr. FULTON. Looking at that date of June, that is the day after the committee's report on aluminum was submitted, and on that day the O. P. M. announced that it had a program, but you are now telling us that its program was one that it hadn't even discussed with you and which was simply a generality as to places where power was available. Is that correct?

Mr. WILSON. I think that is correct.

Mr. FULTON. It wasn't any program at all then, was it?

Mr. WILSON. Yes, I think it was a program. If I recall it correctly, that program was based on a study made by the Federal Power Commission, a joint study made by the Federal Power Commission and the Power Division of O. P. M., as to where power could be made available.

Mr. FULTON. And it was not based on any study of the aluminum companies that might be engaged in production, or of what those companies were willing to do.

Mr. WILSON. I believe that is correct.

Mr. FULTON. So far as your company is concerned.

Mr. WILSON. So far as we are concerned.

Mr. EWING. Mr. Fulton, do you want to put this letter in the record?

The CHAIRMAN. Let's put it in the record so that we will know what we are talking about.

(The letter referred to was marked "Exhibit No. 149" and is included in the appendix on p. 2808.)

Mr. FULTON. Now, on the 14th of July it was proposed that you would have, I think, a total of 340,000,000 pounds of aluminum production and 400,000,000 pounds of alumina production, which is the amount ultimately put into the August 19 contract.

Mr. WILSON. That is the amount in the August 19 contract.

Mr. FULTON. I show you a letter from the Under Secretary of War to the Administrator, giving the same amounts as were in your contract ultimately.

Mr. WILSON. I see this letter of July 14 from Under Secretary of War Patterson to Mr. Jesse Jones, but we would have no knowledge of this letter nor have we ever seen it.

Mr. FULTON. I showed it to you only to refresh your recollection that from the outside, the same number of pounds capacity in those plants was under discussion and ultimately that the August 19 contract contained those figures of 340,000,000 production for aluminum and 400,000,000 for alumina.

Mr. WILSON. No. This letter does not check with those figures, Mr. Fulton.

Mr. FULTON. How much do you make the alumina increase in that letter for Alcoa?

Mr. WILSON. Four hundred million pounds.

Mr. FULTON. How much do you make the aluminum increase for Alcoa?

Mr. WILSON. Two hundred and forty million pounds in this letter of Under Secretary Patterson.

Mr. FULTON. By adding what figures?

Mr. WILSON. The figure of 90,000,000 for Cascade Locks as the probable location, the figure of 50,000,000 pounds for Massena, N. Y., as the probable location, and the figure of 100,000,000 pounds for Camden, Ark., as the probable location, so it is 100,000,000 pounds short.

Mr. FULTON. Where is that 100,000,000 pounds made up in the actual contract?

Mr. WILSON. An additional 100,000,000 from Massena, N. Y.

Mr. FULTON. I see. When was that first suggested?

Mr. WILSON. It was suggested at the same time that the original program was developed. I don't quite understand why it isn't in here, except that for a period I believe it was discussed as possibly two plants in New York State, and after preliminary discussions, O. P. M. apparently decided upon the recommendation that they be combined into one plant. I surmise that is why this schedule is as set forth in this letter of Secretary of War Patterson.

Mr. FULTON. I show you a letter the very next day, July 15, from Sidney Hillman, referring to Massena as 150,000,000, and I rather wonder if that first one was not a typographical error, because the 150,000,000 is referred to on the very next day.

Mr. WILSON. I don't know.

PROVISIONS OF DEFENSE PLANT CORPORATION CONTRACT WITH ALCOA

Mr. FULTON. In any event, you were always talking about 340,000,000 aluminum and 400,000,000 alumina when you were discussing this new contract ultimately signed in August?¹

Mr. WILSON. That is correct, sir.

Mr. FULTON. Would you tell us when you first prepared a draft of that contract, as nearly as you can recall?²

Mr. WILSON. I don't know. I personally didn't prepare any of the drafts, but I am reasonably confident the work was started on it immediately following July 15 when we received word that we were to be responsible for these particular plants.

Mr. FULTON. Can you tell us, Mr. Ewing?

¹ Previously entered in the record as Exhibit No. 119, see Hearings Part 7, appendix, p. 2284.

² Regarding negotiations leading up to the Defense Plant contract with Alcoa, see supplemental statement of Arthur V. Davis, chairman of the board of directors, Aluminum Co. of America, under date of December 24, 1941, which appears on p. 2313, appendix, Hearings, Part 7.

Mr. EWING. Well, as I recall, we got word around—I am not positive of these dates, although I am reasonably sure—noon or afternoon on July 15 as to what the program would be, and Mr. Davis immediately got in touch with Mr. Jones and made an appointment for the next morning. We were over there at 10 o'clock the next morning, and then, I think there were 2 or 3 days of preliminary discussions before there was anything such as a draft of a contract.

Mr. FULTON. Now at the outset, who made the proposals as to the contract?

Mr. EWING. Well—

Mr. FULTON. Did you have a concrete proposal to lay before Mr. Jones?

Mr. EWING. No; we went to Mr. Jones' office—Mr. Davis, Mr. Hunt, the president of the Aluminum Co., Mr. Wilson, possibly Mr. Gibbons, Mr. Wilson says, although I don't recall his being there, and myself. We met Mr. Jones, Mr. Husbands, Mr. Snider, and Mr. Durr.

There was a discussion there for perhaps half an hour or so, a very general discussion, in which Mr. Davis outlined the problems somewhat. Mr. Jones asked him if he had any concrete proposals, and he said no, that he didn't, that that was what he had come there to find out, what Mr. Jones wanted. I am not sure about the time, but this conference lasted for perhaps a half hour or so.

Mr. Jones had a telephone call, and then he sent in word and asked Mr. Davis to come to his room, and from then on, except for one few minutes I had with Mr. Jones that afternoon, Mr. Jones and Mr. Davis had all of the discussions.

The CHAIRMAN. Mr. Jones and Mr. Davis negotiated the contract, and you wrote it up. Is that it?

Mr. EWING. That is correct.

Mr. FULTON. Do you know who first suggested that the contract should not be on a management-fee basis?

Mr. EWING. I think the sequence of that was that first morning, when both Mr. Jones and Mr. Davis were there; Mr. Davis outlined to Mr. Jones the fact that the aluminum here was not sold directly to the Government, that it was first sold to a fabricator, and then was sold to a plane manufacturer, and then went to the Government in the form of planes, and that there was a selling problem involved, a manufacturing problem, a problem of servicing your sales after they were made, working the manufacturers, and all of that; and to that Mr. Jones said, "Well, we want you to do the selling."

Then came the question of what price and terms. It was understood that the material manufactured in Government plants would be sold on the same basis as those manufactured in Alcoa's plants.

Mr. FULTON. Who made that suggestion?

Mr. EWING. As I recall, Mr. Jones did. Maybe Mr. Davis did. I don't know. Anyhow, that seemed to be perfectly agreeable. If it were to be a management contract, I was immediately on the alert, because I was a little afraid of some antitrust problems, and we are a little touchy on those—the Aluminum Co. is. So I wanted to be sure that there was nothing that could be regarded as an agreement between the Aluminum Co. and any other producer as to prices,

and I raised that question. The more I thought about it, the more concerned I became about it.

Mr. FULTON. It was your thought that if the Government owned the aluminum and simply hired you to manage and control the sale policies, you would be in much more danger from an antitrust standpoint?

Mr. EWING. I was afraid that we might be. Whereas, I felt that under a lease arrangement that problem did not arise.

Mr. FULTON. Where you would have absolute control of the sales.

Mr. EWING. It was not so much our absolute control; it was because it was under the lease arrangement. Legal title was in the Aluminum Co. all the time.

The CHAIRMAN. Well, Mr. Ewing, the Defense Plant Corporation, as I understand it, is now negotiating another contract with the Aluminum Co., due to the fact that two of the people who were supposed to take part and construct these plants haven't been able to negotiate a contract, and I understand that the Aluminum Co. now is negotiating another contract with the Defense Plant Corporation to go ahead with the construction of these new plants. Is that correct? That is one that Mr. Jones talked to me about over the telephone last night and said he didn't want made a part of the record today, and I told him that would be perfectly satisfactory to me, but I wanted to ask you some specific questions about that new contract. I have been reading this one. I am just a farmer who happens to be in the Senate. I am not a lawyer, but if I understand words—and I think I do—this contract gives the Aluminum Co. an absolute stranglehold on the Defense Plant Corporation, and I just wanted to find out whether the same situation is going to prevail in this new contract.

I don't want to expose any negotiations that Mr. Jones and Mr. Davis or Mr. Jones and you may be making, but I would like to ask you some specific questions about the veto control and obstruction policies that can be followed in this new contract, and if they can be sold the same way they can in this one.

Now, in section 1 of this contract—

Mr. EWING. Well, Senator, mind you, I don't agree with much that you said there.

The CHAIRMAN. I know you don't agree with me. I think you have acted as a good attorney for the Aluminum Co., and that is what you were hired for. I am not quarreling with you, but I am quarreling with the men who allowed you to negotiate a contract like that. What I want to ask you, in section 1, Is the Aluminum Co. in this new contract going to have absolute control and the land and plant sites and title and things of that sort? You see, the Defense Plant Corporation can't buy anywhere unless the Aluminum Co. decides that they ought to buy it.

Mr. EWING. I beg your pardon. The Defense Plant Corporation absolutely—

The CHAIRMAN (interposing). Just read section 1 of this contract¹ and see if it doesn't say that. Else I don't understand English. Maybe I don't understand English. [Reading:]

¹ Exhibit No. 119, Hearings Part 7, appendix, p. 2284, at p. 2284.

Alcoa agrees promptly to use its best endeavors to acquire for Defense Corporation, in fee simple, all lands necessary for the construction and operation of the aforesaid plants at sites acceptable to Defense Corporation * * *.

Mr. EWING. They have to approve the sites. They choose them.

The CHAIRMAN. But Alcoa also has the right to decide; Alcoa chooses the sites, and then the Defense Plant Corporation O. K.'s them.

Mr. EWING. We merely recommend. They don't always follow our recommendation.

The CHAIRMAN. Well, you have a right to veto that.

Then in section 1 also, on the options in the contract you have the veto power.

Mr. EWING. Oh, no.

The CHAIRMAN. I don't know how to read English, then. I say I don't know how to read English. Then in section 2,¹ you absolutely have the veto power on plans and specifications and on the installations, and you can veto the contracts and the contractors in section 3.²

I have gone over this and made these notes, and I just want to know if, under this new contract, you are going to have exactly the same powers that you have in the old one. I think the old one, from the Government standpoint, is about the worst contract the Government ever signed. I talked to Mr. Jones about it. I don't see how in the mischief you fellows ever put it over on him as you did, and I think you did put it over on him. I have studied this thing to some extent. As I say, I am not a smart lawyer like some of these Senators are, but it looks to me as if the Government is going to hold the bag on the whole thing. I want to go down this list I have of 23 or 24 things that I want you to answer me on.

Mr. EWING. May I answer you one at a time?

The CHAIRMAN. Sure. That is what I want you to do.

Mr. EWING. Now on the first, the Defense Plant Corporation——

Senator CONNALLY (interposing). When you answer, refer to the portion of the contract so it will be in the record.

Mr. EWING. Surely.

The CHAIRMAN. But Alcoa selects the sites.

Mr. EWING. We merely recommend. They select their own sites.

Mr. FULTON. Suppose they selected a site that Alcoa didn't want, Mr. Ewing. How could the Government use that site under section 1? Section 1 gives power to Alcoa to acquire the site and gives no power to Defense Plant.

Mr. EWING. We were merely to do the leg work, we go out and arrange for the purchase and all that. They make the selection, and we recommend it. They can take an entirely different one from that which we want, and we would have to go right ahead on any site that they chose.

Mr. FULTON. What provision is there that says the Defense Plant can select the site opposed by Alcoa and that Alcoa must accept it?

Senator CONNALLY. I don't think that is a fair question, Mr. Chairman, because if you put everything in a contract that you couldn't do you would have a book as big as a dictionary.

¹ Exhibit No. 119, Hearings, Part 7, appendix, p. 2284, at pp. 2284-2285.

² Ibid., at p. 2285.

The CHAIRMAN. I agree with that, but what I am contending, Senator, is that the Aluminum Co. has in this contract, as I read it (and as I say, I am no expert on contracts and don't pretend to be), a unilateral agreement, where the Government guarantees everything and receives practically nothing, as nearly as I can figure out—not even aluminum on a specified date.

Senator CONNALLY. Mr. Chairman, don't you think it would be better to ask these questions and let the witness answer each one and refer to the particular place?

The CHAIRMAN. That is what I want.

Senator CONNALLY. Let me interject a question out of order, since these other gentlemen have been. Have you and the Defense Plant Corporation had any difficulty at all about sites?

Mr. EWING. Not the slightest.

Senator CONNALLY. I mean no occasion has ever arisen when they, as the counsel points out, might have overridden you and selected another site, or you might have disagreed with them? You have never had that to arise?

Mr. EWING. No, sir.

The CHAIRMAN. It arose in Takoma, Wash., or else somebody lied to me when I held a hearing out in Seattle.

Mr. EWING. We are not having anything to do with the Takoma plant.

The CHAIRMAN. You have an engineer out there to select the site, and he vetoed the site that Defense Plant wanted.

Mr. EWING. It wouldn't be a site that we would recommend. Now as to the Troutdale plant, the Bonneville Power Administrator there was urging very strongly that a site at Cascade locks be chosen.

The CHAIRMAN. That is right.

Mr. EWING. The Aluminum Co. did not think that was a desirable site. When they put their own plant out there and were putting up their own money—millions of dollars—that site was offered to them. Instead of that, they took another site. When the Reynolds Metals Co., as I understand it, went out there and were putting up their own money, that site was offered to them, and they didn't take it, and still the Bonneville power people were insisting on it.

We recommended another site, and then when this controversy got up between the various departments as to where the site would be, we backed out, and we said that wherever it is chosen, whatever site you want, we will accept. It means nothing to us. We build the plant wherever you choose. So, as Senator Connally says, this question has not arisen and is not likely to arise.

Mr. FULTON. And as you construe the contract, it could not arise?

Mr. EWING. I do.

Mr. FULTON. Because you construe it, whatever its language may be, as meaning that if the Defense Plant selects the site, Alcoa must accept it whether it wants it or not.

Mr. EWING. Absolutely.

The CHAIRMAN. That is what I wanted to find out, and that is what I wanted to get into the record.

Now as to plans and specifications and installations. In section 2 here you have the veto power on those, haven't you? ¹

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284, at pp. 2284-2285.

Mr. EWING. No, sir. We prepare plans and specifications, and they must first be approved by Defense Plant Corporation. When they are approved by them, then we can go ahead with the construction, but not until then.

Mr. FULTON. And if they should suggest a change, you would construe it as meaning they have the absolute power to require that to be made, whether you want it or not?

Mr. EWING. It is their plant. Why certainly.

Mr. FULTON. In that connection, it is of course a matter of importance to determine the standard or basis from which these plants are being built. During the World War we built a number of liberty ships, and after the war was over, we found that they took too much coal to operate, took too large crews, and were too slow, so that they were worthless in competition with privately built ships and had to be laid up for many years at great loss to the Government. Is there any provision that you know of that is being made for a comparison or for a right on the part of the Government to a comparison of these plants to be constructed with Government money with the plants that are to be constructed or are now being constructed by Alcoa with its own money?

Mr. EWING. No; I don't think there is anything. There certainly would be no objection to their making any comparison they want to. That question was never thought of so far as I know.

Mr. FULTON. Does the Government have the right to examine the production facilities of plants that the Aluminum Co. built with its own money and owned by it, for the purpose of finding out whether those plants are no more economical than the ones constructed by the Government?

Mr. EWING. Well, I don't know that it is provided in the contract, but I can say emphatically they have it and can have it.

Senator CONNALLY. May I ask you a question there? This plant, of course, belongs to the Defense Plant Corporation?

Mr. EWING. Yes, sir.

Senator CONNALLY. They furnish the money?

Mr. EWING. Yes, sir.

Senator CONNALLY. Now, if any situation should arise that is not covered specifically in so many words by the written contract, is it not true that all the Defense Plant Corporation would have to do is just to say, "Well, we won't do it"?

Mr. EWING. Certainly.

Senator CONNALLY. They have the money, and you can't do it without the money, and if it is not specifically provided for, they can take a stand, like an old mule, and just stop, and that is all that will happen. Isn't that true?

Mr. EWING. Absolutely.

The CHAIRMAN. But that doesn't get us aluminum. We are after aluminum. We have been trying to get aluminum ever since we found out we were short, and all these proposed controversies that we are talking about will be just a means to prevent us from getting aluminum. The aluminum is what we want.

Mr. EWING. Yes, but, Senator, here was your situation. When a lawyer starts to draw a contract, he can either draw it on the basis of preparing for every possible lawsuit, or he can try to set up a mech-

anism that will get the job done, and we were not spending our time imagining all sorts of things that would not arise and providing against them. If we had, we would never have negotiated this contract. We were trying to get you aluminum.

The CHAIRMAN. That is what we want.

Mr. EWING. That is what we did.

The CHAIRMAN. That is exactly what we want, and what we are afraid of, and what I am afraid of, after reading this contract, is that it is very doubtful whether we will get aluminum, because there is no time specification here, and time is the essence of this thing. You have no specified time. It can be 7 years before we get aluminum on this if you people want to take it that way.

Mr. EWING. Of course, that is assuming our bad faith, which I don't think——

The CHAIRMAN (interposing). I am not assuming bad faith on anybody's part. I am reading the contract for what it says.

Mr. EWING. The contract in here says that when——

The CHAIRMAN (interposing). I just didn't want this next contract to have all these flaws that I, as an amateur, can point out in it, and I haven't consulted anybody on this at all. I haven't even talked to my able counselor here on these things that I wrote up on a piece of paper this morning. I read this contract at least a dozen times, and it has kept me awake, because I have been uneasy about what is going to happen to the Government under this contract.

Mr. EWING. Well, Senator, as soon as the plans are approved, Alcoa agrees—¹

to proceed in accordance therewith and complete as soon as practicable the construction of the plants * * *.

The CHAIRMAN. What does "as soon as practicable" mean? How soon is that going to be?

Mr. EWING. Just as soon as it can be done.

The CHAIRMAN. Haven't you people built enough plants to give some specific time in which you can put those plants into production?

Mr. EWING. Can you tell me how we will come out on priorities? Can you tell me whether we will be interfered with by strikes?

The CHAIRMAN. If you don't have No. 1 priority on this job there ought not to be any priority, I tell you that.

Mr. EWING. I agree with you.

The CHAIRMAN. You certainly ought to be able to know that.

Mr. EWING. May I also say that this language is exactly the language that is in all of the other Defense Plant Corporation contracts, so far as I know, because this contract was written on the basis of their standard form. Secondly, you will find the Navy contracts, the Army contracts—for instance, the Navy contracts——

The CHAIRMAN (interposing). I am trying to get you to say, just as you said awhile ago, that this contract means that we are going to have aluminum at that specified date. Can't you do that?

Mr. EWING. I am not an engineer. We have our engineer here today so that he can tell you what can be done.

The CHAIRMAN. Can he tell me that?

Senator CONNALLY. Before he answers, let me ask the witness is there any reason that your company, anticipating reasonable profits,

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284, at p. 2285.

I assume, would want to delay unduly the erection of this plant and the production of this material?

Mr. EWING. Not the slightest. Not only that, this engineer will show you that it was on June 27 that the O. P. M. first came out with an announcement of what the program would be. The length of time in which you get your aluminum depends on not when you begin digging to put a plant in, but when you order the material that will take the longest time to construct. In this case it is mercury arc rectifiers. We placed an order on June 26 for, I think, about \$4,000,000 worth of mercury arc rectifiers. This contract wasn't signed until August 19, but we knew that there was a program, and we didn't even know what part we would have in it, but we went ahead and did that and made arrangements so that if we had no part in it, that contract could be assigned to whoever might be building the plants for the Government or to the Government or to anyone else. We were trying to get this thing along. We can show you a record of performance here.

The CHAIRMAN. With all that anticipated activity and intelligent activity, I will say, can't you tell me within some reasonable time of when we are going to get aluminum out of these new plants?

Mr. EWING. I can tell you when it is scheduled, but I don't know what—

The CHAIRMAN (interposing). Let the engineer come up here and answer that question.

Have you been sworn by this committee?

Mr. JOLLY. No, sir.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth before this committee, so help you God?

TESTIMONY OF THOMAS D. JOLLY, CHIEF ENGINEER AND DIRECTOR OF PURCHASES, ALUMINUM CO. OF AMERICA, PITTSBURGH, PA.

ALCOA'S ESTIMATED DATE OF PRODUCTION FOR NEW PLANTS

Mr. JOLLY. I do.

The CHAIRMAN. Will you give your name and titles to the reporter, please?

Mr. JOLLY. Thomas D. Jolly, chief engineer and director of purchases of the Aluminum Co. of America.

The CHAIRMAN. Now, Mr. Jolly, will you answer the question which I asked Mr. Ewing as to some specific time that we are likely to get aluminum out of these new plants?

Mr. JOLLY. I have here a schedule of the operations of the Massena plant with every operation, starting with the grading, foundations, the structural steel, painting, brick work, installation of equipment, everything right up to the last week. I have the date erection starts, and the erection is complete. These data are made out to our best knowledge.

The CHAIRMAN. Of course, I understand that; but we would like to have some specific statement as to when we are going to get aluminum. If things continue to take place as they took place this morning in the Atlantic Ocean up around Iceland, we are going to need

aluminum a darned sight more in the next 3 months than we need it now.

Mr. JOLLY. If we get the deliveries we have here and are not interfered with by strikes, if we get our stuff coming through on schedule, we will make aluminum in Massena in May.

The CHAIRMAN. In May of the coming year?

Mr. JOLLY. That is right.

The CHAIRMAN. And when did you start that plant?

Mr. JOLLY. The grading on that plant started the day that the title was taken for the Defense Plant Corporation. We moved machinery on the site that same day and the next day we started to grade.

The CHAIRMAN. How long in time? What date was that? Was that along in August or in September? When was it?

Mr. JOLLY. On October 3 R. F. C. took over the option on property at Massena.

The CHAIRMAN. That would be 7 months, then, from the 3d of October. You anticipate production in May. That would be about 7 months, wouldn't it?

Mr. JOLLY. That is right.

The CHAIRMAN. Now, how about alumina and bauxite? Does that take that into consideration?

Mr. JOLLY. I will qualify that 7 months. The material for that plant was ordered in June—that is, the rectifiers and the heavy material which it takes time to obtain.

The CHAIRMAN. It would take about 11 months, then, according to those figures.

Mr. JOLLY. It will take 6 to 8 months, normally, to obtain mercury arc rectifiers for one line. That is 30,000,000 pounds. Now, because of the tight condition of a lot of materials, such as mercury, we had to get into schedule early, and because of the large quantity of mercury arc rectifiers required for this entire program we had to get started early. After we get those in the building it takes 2 months to wire them up. Then there are a lot of other materials required that have to be fitted together. So that to obtain all the materials and have everything arranged so that it would arrive on schedule when needed, to be installed and ready to operate we had to get a start on this job. On the 3d of October D. P. C. took title to the property. The contract for grading the site was let the same day. We could not let the contract for grading without the approval of the Defense Plant Corporation people, and they would not, of course, approve a contract for grading a piece of property that was not in their name. So we had to wait until the titles were taken over. The machinery for grading was moved on that same day; and the next day, October 4, the grading started.

On the 25th of October we started putting the foundations in. The structural steel erection is scheduled to start on the 20th of December. On the 10th of January the first building which takes rectifiers will be completely erected, and the rectifiers will be ready to move in the building as soon as the building is ready for them. We cannot guarantee a definite date on these things.

The CHAIRMAN. I am not asking you to guarantee a date. I am asking you to give us some reasonable estimate when we can expect

to get aluminum out of this new plant, this 150,000,000-pound plant, isn't it?

Mr. JOLLY. One hundred and fifty million pounds, sir. We are on schedule to make aluminum about the middle of May.

The CHAIRMAN. That will be for the whole 150,000,000 or just one 30,000,000?

Mr. JOLLY. That will be one 30,000,000-pound unit, and we will follow that with one 30,000,000-pound unit each month.

The CHAIRMAN. So that it will probably be 5 months after that before you are on complete production with 150,000,000?

Mr. JOLLY. Possibly, except that we have laid the schedule out so that we know we can do it on the dates shown if we don't run into too much trouble, and we expect to anticipate the dates on there.

Senator CONNALLY. By "anticipate," you mean to get it at an earlier date than you figured?

Mr. JOLLY. The schedule says May 16. I hope to have it May 1 or possibly earlier.

Senator CONNALLY. Do you know of any other way to get it more quickly than the way you are pursuing?

Mr. JOLLY. You cannot make aluminum by starting to dig or running up flags or having brass bands played. You have got to schedule the job. You have to order the materials. You have to let them accumulate so that once you start the job, you have everything coming in exactly as it is needed to construct the job and get it into operation.

Senator CONNALLY. I hope the Aluminum Co. of America, being under attack in several quarters, will realize that this stuff is intended for national defense. You are not making aluminum now for skillets and pans and flycatchers and things like that—you are making this for national defense, and I hope to God you will put every ounce of energy and strength and speed into the production of first your plant and then the production of aluminum. Good faith requires that, and I am not impugning your good faith. I am sure that it will be. I want you to bear that always in mind and not to think too much about your profit, because the chances are we are going to take all of it away from you that we can find when the tax bill comes in.

Mr. EWING. Senator, may I say this in respect to that. In the past 6 months we have made more aluminum than we have been able to sell. Our stock pile has increased over 30,000,000 pounds in the last 6 months, and that was true of October, and it has been true of every month back—

Senator CONNALLY (interposing). You are going to need it. You are not going to lose it, so go on and get your aluminum—we'll use it.

Mr. EWING. It begins to look as though this new production will come in in ample time to be ready for the time that the airplane people will want it.

Mr. JOLLY. Senator Connally, in reply to your suggestion that we put all the pressure on this we can, I just want to tell you that we started to work on this thing early in June, that is, planning to see what we could do and how we could speed the program up, while waiting until the contract would be finished. I have been inter-

ested in the remarks about the contract and about not having a definite time in here to do the job and what we could and could not do, and this and that. I am not a lawyer and have no interest in the contract. I have no interest in the profits. All I have to do is build the plants. Prior to the signing of the contract, I had obligated the company for \$16,065,000 worth of material. Since that time and up to the close of business Tuesday night, we have totaled \$36,042,248 in expenditures for materials. All of those materials are necessary to come in on the schedules we have here, and if we had not anticipated the signing of the contract by getting in schedules in the shops and operating programs in manufacturing organizations, we never could have kept the dates that we have in here.

I never flew until the 5th of August. Since that time I have flown 35,000 miles. I have been on sleepers at nights. I have worked Sundays. I have worked nights—doing everything I can to get these plants going as quickly as possible. We have a little pride in this job. We don't care what the contract says about when we finish. We are just proud enough in our ability that we are going to do a job and get it just as quickly as anybody in this world could build a plant.

Senator CONNALLY. We are glad to have your assurance. I think it might be well, if you are going to negotiate a new contract, instead of the matter of putting some penalty clauses in as to delay in production—

The CHAIRMAN (interposing). That is exactly what ought to be in it.

Senator CONNALLY. To give you some bonus clauses if you anticipate it and do it more quickly.

PROVISIONS OF DEFENSE PLANT CORPORATION CONTRACT WITH ALCOA

The CHAIRMAN. Why were those penalty clauses and bonus clauses not put in that original contract?

Mr. EWING. That was not ever suggested. This is the standard form that is used by both the Army and Navy and Defense Plant Corporation, that you do it as soon as practicable, and furthermore, in this new \$90,000,000 construction program, including the new things that are coming along, we will be acting as general contractor for over \$90,000,000 worth of construction on which we do not make one penny profit. And to penalize us for something when we are doing our level best to get it done—it might fall down because of priorities, something over which we have no control—would not be fair.

Senator CONNALLY. I am just suggesting your consideration of that. It may prove to be impracticable.

Mr. EWING. I don't know why the Aluminum Co. should be singled out of all the contractors in the country and expected to assume a penalty.

The CHAIRMAN. We are going to take up the steel contracts and find out exactly what the situation is with them. We are not singling out the Aluminum Co. You have come along before us first because we happened to need aluminum worse than anything else. We are going after the United States Steel Corporation and Tom Girdler and all the rest of these people and find out when they are going to give us steel.

Senator CONNALLY. I hate to go, and I want to apologize to the witnesses. It is no act of discourtesy, but I have some other engagements.

The CHAIRMAN. Glad to see you, Senator.

Mr. EWING. May I say this, Senator Truman. When we approached this thing we started out on the hypothesis of trying to make a contract so fair to the Government that no one could honestly criticize us. Apparently we have not succeeded.

The CHAIRMAN. You have not succeeded because as I say I know nothing about the contract business, but this contract strikes me as being a unilateral agreement.

Mr. EWING. I think I can prove to you or to anyone that it is an absolutely fair contract. What we did here, we provided that of any profits that were made, 85 percent should go to the Government and 15 percent to the Aluminum Co. on the operations, and we get no profit from this enormous construction program. Operating the plants is a partnership affair. Many things had to be left open because we didn't know what the future would be, and it was just like any other partnership. Two partners don't know what they are going to decide on a thing a year from now.

Mr. FULTON. Are you sure you don't get any profits on construction?

Mr. EWING. Not a cent.

Mr. FULTON. What is this provision in paragraph 4 here to the effect that ¹—

It is also agreed that the performance of certain parts of the work on the construction program can be done more economically when performed by Alcoa's own organization in connection with Alcoa's other business such as joint buying, joint engineering, and other joint services; and therefore, in order to reimburse Alcoa for a proper share of such expenses which cannot be readily allocated but which are properly incurred in carrying out the construction program, Alcoa shall be reimbursed in an amount to be agreed upon by the parties hereto.

Mr. EWING. That is not profit. That is reimbursing us for expenses.

Mr. FULTON. Your original draft you intended to put a certain number of dollars in there, because I noticed you had the dollars blank. How much was the amount the Alcoa intended to put in in that item?

Mr. EWING. I don't think we ever had anything definite on it.

Mr. FULTON. Even tentative?

Mr. EWING. There wasn't any tentative figure.

Mr. FULTON. How many millions or hundreds of thousands were you tentatively thinking about?

Mr. EWING. None, because it never even arrived at that stage.

Mr. FULTON. It was in the contract, in that form?

Mr. EWING. It was in there in blank because that is the way it appears in some of these forms that are used by the Government, and in drafting this I put that in that way and there was never any discussion on it. Mr. Jones didn't want it in that way and we finally just simply let it stand that we were to be reimbursed to the extent that Defense Plant Corporation agreed that they were proper expenditures.

¹ Exhibit No. 119, Hearings Part 7, p. 2284, at p. 2285.

Mr. FULTON. Mr. Clifford Durr, General Counsel for the Defense Plant Corporation, specifically took that item up, stating that in his opinion it amounted to a payment of a profit or fee. Did you know that?

Mr. EWING. No.

Mr. FULTON. Was that why it was changed from dollars blank?

Mr. EWING. Mr. Jones just said he didn't want it in there. We felt we were entitled to be reimbursed for our expenses. So it was arranged that the expenses would be approved by Defense Plant Corporation, and that is the way it is.

Mr. FULTON. On that point, let's see how that works out. You have got the right to charge all of the salaries here under that paragraph 4 of all of the people except the board of directors and certain several designated officers who are engaged directly on the construction program, whether at said plants or elsewhere.

Mr. EWING. That is right.

Mr. FULTON. Now, that says their salaries?

Mr. EWING. That is right.

Mr. FULTON. And it doesn't say that they have to be spending 100 percent of their time on the construction program. It only says they have to work directly on it.

Mr. EWING. That is right. That means 100 percent.

Mr. FULTON. It doesn't say 100 percent, but you construe it as meaning 100 percent?

Mr. EWING. Oh, yes; absolutely.

Mr. FULTON. As it is written now, however, if a man were engaged directly on this program and worked half the time on the Aluminum Co., all of his salary could under that provision be charged?

Mr. EWING. Oh, no; I beg your pardon.

Mr. FULTON. Why not?

Mr. EWING. Because his salary, if he worked a half day on this program and a half day on the Aluminum Co.'s time—this job would be charged with half of that day's work. That is ordinary practice.

Mr. FULTON. It doesn't say that in this contract. It says all salaries of persons engaged directly. But you construe that limitation that isn't written in there to mean that he would have to work 100 percent in order to charge all of his salary?

Mr. EWING. If any part of his time were charged in, it would have to be represented by 100 percent of that time that was charged against this contract.

Mr. FULTON. So you would add that which isn't in there to say it must be only where he puts in 100 percent of his time, and that is the way you construe it?

Mr. EWING. That is what anyone would construe it, that it is a direct charge, direct time that that man spends on it.

Mr. FULTON. But as it now reads, if he only spends 10 percent, still if he were working directly, he would be in the situation where you could say that you could charge all of the salary.

Mr. EWING. No; I wouldn't say that.

Mr. FULTON. That wasn't your intent?

Mr. EWING. I would not so interpret the contract, Mr. Fulton.

Mr. FULTON. Now, in addition to that, you have this case of a man—

Mr. EWING (interposing). I also say that the Defense Plant Corporation has a man in Pittsburgh today and every item of time that is charged against this contract is approved by him before it is charged against it.

Mr. FULTON. Oh, yes; but I was just coming to that. How do you handle this? You tell the staff of the Aluminum Co. to keep a record, I suppose, in the nature of a diary, indicating how many hours they work each day and whether it is on Defense Plant or on Aluminum Co. business. Is that right?

Mr. EWING. Somebody can answer that who knows more about it than I do.

Mr. JOLLY. We have a certain number of people who are engaged all the time on Defense Plant Corporation work. We have some others who are part time, like the members of the purchasing department and occasionally an engineer. The head of the department keeps a record of how many hours each man puts in on that particular Defense Plant Corporation job, but these auditors go over everything very carefully and there is nothing going to get by an auditor.

Mr. FULTON. What auditors are they? Are they auditors of the Defense Plant?

Mr. JOLLY. A Defense Plant Corporation man is assigned to cover our job in Pittsburgh.

Mr. FULTON. And do they have the authority to investigate the type of work that those men are doing in order to find out whether that work is in fact work that relates solely and specifically to the defense plant?

Mr. JOLLY. They do, and they do just that very thing, too. There is also a Defense Plant Corporation engineer who sits right in our engineering department and watches all this stuff.

Mr. FULTON. And under this, then, the Aluminum Co. is entitled to charge every last hour or half hour of work which a man does on Defense Plant, and you set up a system to make sure that it works out fairly.

Mr. JOLLY. We have tried to, but so far there has been a tremendous amount of work done that we make no charge for at all. If a man is on that job a half hour we don't bother about that.

Mr. FULTON. You don't?

Mr. JOLLY. We haven't yet.

Mr. FULTON. And suppose he goes and does a half hour's work on Aluminum Co.'s business, you don't bother about that either?

Mr. JOLLY. He does not do that.

Mr. FULTON. If he can do a half hour on Defense Plant, why can't he do a half hour on Aluminum Co.?

Mr. JOLLY. Because the men who are on full time Defense Plant Corporation work have been moved into another division and they are not permitted to do Aluminum Co. work. We want to keep this thing straight, too.

The CHAIRMAN. I am interested in the insurance situation. In section 7 of this old contract, the insurance losses are absolutely in the control of the Aluminum Co. of America. The Defense Plant has to turn over the money when the Aluminum Co. asks them for it, whether the Defense Plant wants to rebuild the building or not. Is that same provision in the new contract?

Mr. EWING. It is not anticipated that there would be any change in that.

The CHAIRMAN. Suppose the Defense Plant Corporation made up its mind that it was not necessary to rebuild that plant, they would still have to turn the money over?

Mr. EWING. No, no, no.

The CHAIRMAN. This contract says that.

Mr. EWING. I beg your pardon. Let's see. What section?

The CHAIRMAN. Section 7.

Mr. EWING. I think that is a later provision, Senator.

The CHAIRMAN. Maybe I am wrong.

Mr. EWING. Just a second, I will find out.

Mr. FULTON. Article 14.¹

The CHAIRMAN. Page 7 instead of section 7.

Mr. EWING. It says:¹

In the event of loss under any such policies, the proceeds may, upon the written request of Alcoa promptly made, be used for the repair, restoration, or replacement of the property damaged or destroyed,

The CHAIRMAN (continuing):

and to——

Mr. EWING (reading):

and to that end the Defense Corporation——

The CHAIRMAN (interposing)—

shall promptly make available to Alcoa the insurance proceeds received by Defense Corporation.

Mr. EWING. That is only if we want to rebuild or repair.

Mr. FULTON. Suppose Defense Plant doesn't want to rebuild and you do.

Mr. EWING. I think under this contract we would have a right to ask that the insurance money be applied. Now, I think——

Mr. FULTON (interposing). Why should you have such a right?

Mr. EWING. Well, because we have taken a 5-year lease. That is the ordinary provision of a contract, that a landlord agrees to restore, to apply the insurance money to the restoration of premises.

Mr. FULTON. What have you done? What have you put up that you should be given the right to compel the Government to rebuild plants that they may consider uneconomical? What have you put up?

Mr. EWING. What have we put up?

Mr. FULTON. In comparison with the Government's \$99,000,000?

Mr. EWING. In the first place, we have given them the know-how to build a plant.

Mr. FULTON. With the Government paying the cost of that know-how.

Mr. EWING. Sure.

Mr. FULTON. Including the salaries of the know-how.

The CHAIRMAN. Suppose the emergency is over in a couple of years, then what? They still have to give you that insurance money.

Mr. EWING. If we wanted to rebuild.

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284, at p. 2287.

The CHAIRMAN. I think that is a bad provision.

Mr. EWING. I don't.

The CHAIRMAN. I think that is a bad provision. Does the Aluminum Co. insist on having that?

Mr. EWING. That is the standard provision out of the Defense Plant Corporation.

The CHAIRMAN. We will find out from the Defense Plant Corporation what they think about it. There is another question I wanted to ask about section 7.

Mr. EWING. I think a similar provision is in War Department contracts and in these other Government contracts.

The CHAIRMAN. I don't think it ought to be there.

Mr. EWING. Wait a minute. The provision there is that if the lessee wants to rebuild, the Government not only has to apply the insurance money but has to make up any additional funds that are necessary to replace the plant. We haven't even asked for that.

Mr. FULTON. Put the shoe on the other foot, and suppose the Government wants to rebuild and you don't. Is there any obligation on the part of the Aluminum Co. to continue with this lease?

Mr. EWING. Sure.

Mr. FULTON. Where?

Mr. EWING. Well, we have taken a 5-year lease; I think we would have to.

Mr. FULTON. Where is there any obligation on the part of the Aluminum Co. in this contract to rebuild or to supervise the rebuilding? I don't see it, do you?

Mr. EWING. That is something that we never thought about.

Mr. FULTON. But you construe it as being in there.

Mr. EWING. I absolutely do. If the Government wants us to rebuild the plant we will do it so quick——

Mr. FULTON (interposing). Just so it is understood.

Mr. EWING. There is no question about it, and I think it is implicit.

The CHAIRMAN. There is a phrase in section 7. I knew I had section 7 on my mind for something. It says down there in the last few lines:¹

Alcoa having supervision or direction over the construction program as a whole to exercise good faith or that degree of care which they normally exercise in the conduct of Alcoa's business.

Why don't you just leave that good faith and cut out the other phrase?

Mr. EWING. You would be worse off. We will do it, I'll tell you that, right now.

The CHAIRMAN. I don't think there should be any qualifying phrases on good faith.

Mr. EWING. That is an additional protection to you.

Mr. FULTON. Why not make it "reasonable care?"

Mr. EWING. Let's read the whole paragraph, that whole sentence:²

It is the understanding of the parties hereto and the intention of this agreement that all work in connection with the construction program which is approved by Defense Corporation is to be performed at the expense of Defense Corporation and without profit to Alcoa, and Defense Corporation shall hold Alcoa harmless

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284, at p. 2285.

² Idem.

against any loss, expense (including expense of litigation) or damages (including liability to third persons because of death, bodily injury or property injury, or destruction, or otherwise) of any kind whatsoever, arising out of, or in connection with, the performance of the work in connection with the construction program, except—

And then this exception comes in, they have got to reimburse us except when—

to the extent that such loss, expense, damage, or liability is due to the personal failure on the part of the corporate officers of Alcoa or of other representatives of Alcoa having supervision or direction over the construction program as a whole to exercise good faith or that degree of care which they normally exercise in the conduct of Alcoa's business.

The CHAIRMAN. Let's make that "and."

Mr. EWING. No, Senator, then you would have to prove both. Now the Government is let off of its obligation to reimburse Aluminum Co. if we fail to use good faith or even if we used good faith and have failed to exercise—

that degree of care which they normally exercise in the conduct of Alcoa's business.

The CHAIRMAN. I don't like to qualify good faith. I want to ask you another question. I noticed down here in the appendix to this contract it says:¹

Certified public accountants: Collins & Co.; Price, Waterhouse & Co.; Lybrand, Ross Bros. & Montgomery; Haskins & Sells; Arthur Young & Co.; Ernst & Ernst.

Now I had another distasteful duty to perform when I first came to the Senate, to act as vice chairman of an investigating committee that went into railroad finance, and I just happened to remember that four or five of these accountants up here had been railroad accountants and one of them in particular was before this committee of which I was the vice chairman, and over which I presided most of the time, and that company is the second one mentioned here in this list. I am going to put this record in the record so you can all look it up if you want to, and if these other accountants are in the same class and a lot of them have been railroad accountants, I don't say anything against them at all but here is the record as made by my committee on Price, Waterhouse & Co., and I wouldn't have any faith in any report that they would make [reading]:

Report No. 25, Part 3, Seventy-sixth Congress, first session, by the Senate Subcommittee Investigating Railroad Finances—

And refers to Price, Waterhouse & Co.'s two audits of railroad accounts. One was private and true; one was public and false. I am to quote from the record now. This is a quotation:

The report to the stockholders failed to reveal that the railroad had overstated its current assets by more than \$3,000,000. A partner of the firm conceded to the committee—

And I was present when he made this statement, and I quote him—

* * * in its effect misleadingly erroneous.

Four of these auditing firms have worked for the railroads in the roaring twenties, and I want to say to you that I think you would be much better to let the Department of the Treasury or the General

¹ Exhibit No. 119, Hearings, Part 7, appendix, p. 2284, at p. 2293.

Accounting Office do the auditing on this than to trust these particular accountants.

Mr. EWING. That provision there is merely for an arbitration clause in case there should be any difference of opinion in arriving at the profits or losses, or accounting procedures.

The CHAIRMAN. I think the Government departments you can't question; you can't question the fact that the Treasury knows how to audit books; at least they seem to do pretty well in getting income taxes collected.

Mr. EWING. I don't like it sometimes when they get into a tax investigation.

The CHAIRMAN. I understand that, but I think that would be a darned sight better provision than to have that thing there. Proceed, Mr. Fulton.

Mr. EWING. May I say that this was simply a list of accountants put in and the Defense Plant Corporation chooses out of that list any partner from any one of those firms on that list—

The CHAIRMAN. I just wanted to remind you that I have a record on one of those firms.

Mr. EWING. —or any other firm that we are mutually agreed upon.

Mr. FULTON. Mr. Ewing, if I understand, the R. F. C. loan was not even discussed because the Aluminum Co. had been told that it would have to be Government financing. I am a little puzzled at that because as I understand it, an R. F. C. Loan is being discussed for the Reynolds Co., and therefore I wanted to make absolutely sure that the Aluminum Co. takes the position that the Government forbade it to discuss questions of raising this money at its own capital risk.

Mr. EWING. Well, I had nothing to do with the discussion down at O. P. M. The only thing that I can say at all is that when this program was announced it was to be an entirely Government financed and Government-owned program. I know Mr. Davis said he thought it was a hell of a note that we weren't even allowed to spend our own money to do some of this expansion.

Mr. FULTON. But you don't recall who told you that?

Mr. EWING. Mr. Davis told me.

Mr. FULTON. I mean on behalf of the Government, who took that rather unusual position?

Mr. EWING. That was on the basis of the program, you see. The program was announced, being entirely Government-owned and Government-financed, and he made that remark to me, that he thought it was a hell of a note.

Mr. FULTON. The committee is trying to ascertain who in O. P. M. made this decision that private capital was not to be allowed to finance its own expansion.

Mr. WILSON. I would like to state for the record right here and now that the Aluminum Co. is still ready to proceed to the extent of its ability with expansion on its own account.

Mr. FULTON. That means that the Aluminum Co. is willing to engage in an R. F. C. loan which will be secured by mortgage on every asset of the Aluminum Co., the same as the mortgage is going to be on the Reynolds Co.

Mr. WILSON. I don't know the terms of the R. F. C. loan to Reynolds, or I don't know from whom we would have to borrow money, whether it would be an R. F. C. borrowing or not.

Mr. EWING. Maybe we could borrow it more cheaply otherwise.

Mr. FULTON. But you are willing to secure it with your assets?

Mr. WILSON. That is correct.

Mr. FULTON. And yet no one has suggested that particular method of procedure to you, although it has been suggested to the Reynolds Co.?

Mr. WILSON. Not only have not suggested it, but have at times insisted that we must not do it.

Mr. FULTON. Who are those people? Can't you remember even one of them, because that is a pretty important thing?

Mr. WILSON. In regard to the alumina, I know that was Mr. Bunker's and Mr. Batt's attitude; I don't think their personal attitude, but they said that that was the decision which had been reached somewhere, which I don't know where.

Mr. FULTON. And as to aluminum, you just don't remember?

Mr. WILSON. No; I don't remember any specific statement on aluminum.

Mr. FULTON. Now, with respect to this—

Mr. WILSON (interposing). We have offered now to make a further 65,000,000-pound expansion with our own money. Today it is pending before—

The CHAIRMAN (interposing). You understand that the interest of this committee is to get all, and we want to get all.

Mr. WILSON. That is our interest, too.

The CHAIRMAN. We want to get all in the manner that will protect the interests of the Government of the United States.

Mr. WILSON. Your objective and ours are identical.

The CHAIRMAN. That is what my objective is, exactly, and after reading this contract, I don't think the interests of the Government were amply protected. I am not blaming anybody except the men in the Government who were willing to sign a contract like that without putting in the least safeguards.

Mr. EWING. Senator, I honestly think the Government is fully protected here.

The CHAIRMAN. I hope it is; and that is the reason I am asking you all these questions. I am trying to make a record so the Government will be fully protected.

Mr. FULTON. Mr. Ewing, with respect to that right that you said you thought was implicit that the Government through the Defense Plant could inspect any of the Aluminum Co. plants, not these leased plants, or their operations at any time, you have a provision in here in section 18, subdivision (f), expressly permitting the Defense Corporation to inspect the leased plants, but there is no reference to an inspection of the Aluminum Co. plants.¹ However, as I understand you, you would read that into the contract, that there is such a right.

Mr. EWING. No; here, Mr. Fulton, that provision that you referred to in the contract, that is your ordinary provision that goes into a lease, giving the landlord the right to inspect the leased premises.

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284, at p. 2288.

Now the question was never discussed as to any right to go into our own plants. We always assumed that the Government could come, and they tell me that the Army and Navy people are in our plants constantly.

The CHAIRMAN. You have no objection to the Government's exercising that right?

Mr. EWING. Not the slightest.

The CHAIRMAN. You have it written into your new contract, both in that contract and in this one?

Mr. EWING. I never heard of the question raised before until you raised it just now.

The CHAIRMAN. But you can see that it might be very desirable for the Government to be able to check to see whether these new plants that are being built with Government funds are built to operate as economically and efficiently as the plants that are being built by the Aluminum Co. with its own funds.

Mr. EWING. They are absolutely welcome to do it any time.

Mr. WILSON. These plants are being designed and built to be the last word and the most efficient plant we know how to build, Mr. Fulton. We would welcome any check.

The CHAIRMAN. That is what I want to hear, and that is what I want the record to show. We want it on the most efficient and cheapest basis on which the Government can possibly get it.

Mr. FULTON. In order really to determine that efficiency the Government must have the right to make a comparison between the operations of the leased plants and the Aluminum Co. or Alcoa-owned, which I take it Mr. Ewing states on behalf of the company that the Government has, even though it isn't written into this contract.

Mr. WILSON. There is no question whatsoever.

Mr. FULTON. Now, in paragraph 18, where you did write into the contract the provision as to examining accounts, it relates only to an examination as soon as is convenient after the close of any year.

Mr. EWING. You are talking about accounts, not examining the plants. This is a different subject.

Mr. FULTON. Plants and accounts are both necessary in order to determine operations. Did you mean to limit the right to examine to the plants as distinct from the operations of the plants as reflected in the book entries?

Mr. EWING. I was talking about plants. Now, I don't understand that this contract gives the right to the Government to go in and examine all of our books.

Mr. FULTON. As a matter of fact, it excludes that right, does it not?

Mr. EWING. Yes, sir.

Mr. FULTON. And in that language in 18 you intended to exclude that right?

Mr. EWING. We have tried to permit them to examine all that was agreed was necessary to enable them to make an absolutely intelligent comparison of the operation of the two plants.

Mr. FULTON. Now, does any part of this give them the right to examine the figures and books of the Aluminum Co. with respect to its own operations and its own plants so that the Government can determine whether they are being operated more or less economically than the Government plants?

Mr. EWING. This contract provides that in order that the Government may make a comparison, we agreed to operate these plants—where is that?

Mr. FULTON. In section 18 is the accounting provision, and I think the only one.

Mr. EWING. We agree to ¹—

operate the leased plants in an efficient manner and exercise the same care therein as it uses in the operation of the owned plants, and to the end that Defense Corporation shall be assured on this point, Alcoa will, when so requested by Defense Corporation, have a certified public accountant acceptable to Defense Corporation and to Alcoa submit to Defense Corporation as soon as is convenient after the close of any year, a statement showing the variation between the average price paid for labor during said year in the owned smelting plants and in the leased smelting plants and between the average price paid for, or at which transfers were made of, alumina, power, cryolite, aluminum fluoride, and carbons used in the owned smelting plants and in the leased smelting plants during said year, which six (6) items Alcoa regards as comprising approximately ninety percent (90%) of the total mill cost of producing aluminum. In giving consideration to such variations, due weight shall be given to natural advantages and disadvantages such as freights, local labor conditions, and other conditions outside of the control of Alcoa. Such certified public accountant shall also report to Defense Corporation with respect to any other facts deemed by both Defense Corporation and Alcoa important and pertinent to a comparison of the operations in the leased plants with the operations in the owned plants.

Mr. FULTON. First taking up that last sentence you read, that is the sentence that you just referred to as having been inserted for the purpose of excluding any right to examine anything other than those designated matters except where Alcoa specifically agreed that it should be done. Isn't that right?

Mr. EWING. It was inserted in there so that we weren't giving the Defense Plant Corporation a blanket open sesame to all of our books.

Mr. FULTON. Isn't that a backhanded way of saying, "You can't look at anything else unless we tell you to"?

Mr. EWING. Oh, no, no.

Mr. FULTON. You set it up as though it is a right. You say he shall also report on such other matters, and then you exclude it by saying they must be deemed important by Alcoa. Why not simply say, "You can't look at anything else"?

Mr. EWING. That wasn't intended. That is why we didn't say it.

Mr. FULTON. But you do intend and construe that provision as prohibiting the Government from looking at anything else unless Alcoa agrees that it is important.

Mr. EWING. Unless Alcoa agrees that it is important, and if the Alcoa and the Defense Plant Corporation can't agree on it, it would go to Mr. Jones and Mr. Davis for them to decide as arbiters, and if they can't agree, it would go to a third person to be chosen by them.

Mr. FULTON. And if they can't agree on a third person, then what?

Mr. EWING. Then the person who refuses to agree on it has committed a breach of the contract.

Mr. FULTON. How?

Mr. EWING. That is the law.

¹ Exhibit No. 119, Hearings, Part 7, appendix p. 2284 at p. 2288.

Mr. FULTON. How would I be breaching the law, if I were Mr. Jones, if I were to refuse to agree to the man that Mr. Davis suggested as the arbitrator?

Mr. EWING. You see, there is a whole body of law behind this thing, and this provision on the arbitration was put in there with that definitely in mind. There are innumerable cases to the effect that where parties have agreed to arbitrate, they have got to arbitrate in good faith. If they have agreed to select an arbitrator, they have got to select the arbitrator in good faith, and if they don't do it, then the court goes in and performs the function for them.

Mr. FULTON. In other words, if the court could prove Mr. Davis wasn't acting in good faith, it could select the arbitrator.

Mr. EWING. No. I think in that case the court would go in and decide the controversy.

Mr. FULTON. Aren't you posing the Government quite an issue?

Mr. EWING. No.

Mr. FULTON. To prove the lack of good faith, which is a subjective thing, as a lawyer, don't you know that is one of the hardest things anyone could do?

Mr. EWING. It is just as hard for us.

Mr. FULTON. No; it isn't just as hard for you.

Mr. EWING. I beg your pardon.

Mr. FULTON. Wait a minute, Mr. Ewing. It is not just as bad, because you don't want the thing to be examined, and so long as you and Mr. Jones couldn't agree, it wouldn't be examined, so you don't lose by its being delayed.

Mr. WILSON. We do want it examined.

Mr. FULTON. Then why not simply put in a provision here that the Defense Plant may make any examination of the books and records of its partner in these enterprises, because your contract involves going into partnership.

Mr. EWING. Not into partnership on our own things. All the books of this partnership are absolutely open to examination by Defense Plant Corporation at any time. It specifically says so in paragraph D.

Mr. FULTON. Oh, yes; such books as they have. But now the point I have been raising relates to this possible construction of plants which wouldn't operate as efficiently. To determine whether they are operating as efficiently, I want to know whether Defense Plant shouldn't have the right to go in and find out whatever it wants to find out with respect to the operation of Alcoa, to see to it that that operation is just as efficient. In other words, we don't want a situation where you can make aluminum for 9 or 10 cents a pound and the Government has to be satisfied with 12, without even knowing that the other is 9.

Mr. EWING. We have tried to set up a perfectly fair mechanism here that gives the Government all the information it needs.

Mr. FULTON. Which in your opinion gives the Government that information.

Mr. EWING. Sure, and in the opinion of Defense Corporation. Now, wait a minute. Do you think it doesn't?

Mr. FULTON. I am saying just what basis has Defense Corporation for making that determination, because the statement in here is simply that Alcoa has the opinion that it is 90 percent.

Mr. EWING. Because Cliff Durr didn't want to put a provision in that he was assuming responsibility for that. They had their engineers go over this contract. They knew whether it was fair or not, and we tried to make it perfectly fair.

Mr. FULTON. How could they? Even Mr. Wilson or Mr. Gibbons wasn't able to tell me what it cost the Aluminum Co. to produce aluminum. How could any engineer on behalf of the Defense Plant Corporation tell those facts?

Mr. EWING. I don't follow you. There was no engineer of Defense Plant Corporation there at the time Mr. Gibbons was on the witness stand, but the cost of making aluminum in these plants can definitely be determined and will be determined. There is no question about that.

Mr. FULTON. The gentleman on the extreme right there, I think, made a remark. Will you identify yourself and put the remark in the record?

Mr. INGERSOLL.¹ My name is Mr. Ingersoll, and I happen to be counsel for the Aluminum Co. of America.

Mr. FULTON. Are you the general counsel of the company?

Mr. INGERSOLL. Our firm has represented the company in many matters for 40 or 50 years. I have not; not being that old.

Mr. FULTON. Will you please put in the record the remark that you made and the basis on which you made it?

Mr. INGERSOLL. I don't recall just how I made the remark.

Yes. I said that it was my understanding that what Mr. Gibbons had said was that cost was a variable factor, depending upon what went into cost.

The CHAIRMAN. That is what he said to this committee, and he couldn't give us what it cost the Aluminum Co. to make aluminum. What we are interested in here is to be sure that the Defense Plant Corporation's property is being operated just as efficiently as the Aluminum Co.'s property, and I don't see how we are going to find that if we can't see the books.

Mr. INGERSOLL. Quite right, Senator. I think what Mr. Gibbons had in mind in what he said was that the question of what is cost is a very difficult question, and it is a matter that accountants differ over.

The CHAIRMAN. It will be just as difficult in these plants as it is in the Government plants.

Mr. INGERSOLL. Once you set the standards, you can make a parallel of comparison. It depends on what your standards are, what you are going to include.

Mr. EWING. Mr. Fulton, may I clear up one thing here. Mr. Ingersoll's firm in Pittsburgh are, I should say, the general counsel.

Mr. INGERSOLL. Not so designated.

Mr. EWING. At least they are the counsel out there. My firm of Hughes, Hubbard, and Ewing, and its predecessor firm, have been Aluminum Co.'s counsel in New York for upward of 30 years. I think up until around 1925, when Judge Hughes resigned as Secretary of State and came back to the firm, the employment was somewhat intermittent. From 1925 on we have constantly had something in

¹ F. B. Ingersoll, of Smith, Buchanan, and Ingersoll, Pittsburgh, Pa., counsel, Aluminum Co. of America.

the office for them. We represented them in this last antitrust suit, for instance, and I have represented them over a period of at least 10 years.

Mr. FULTON. I understand that. It is a long connection. I only requested Mr. Ingersoll to repeat his remark, which he apparently had forgotten, which I thought he might care to amplify in the record.

Mr. EWING. I wanted to get this in the record, anyhow.

Mr. INGERSOLL. For your information, Mr. Fulton, my information was made clear at another time, when I was sworn before this committee at your request.

Mr. FULTON. I was addressing myself to the remark that you had made.

On this accounting, at any rate you don't propose to put in a provision giving the Defense Plant Corporation the right to examine the books of the Aluminum Co. as to its own production in its own plants.

Mr. EWING. We have got a provision here in which we tried to give them every right that they would possibly need to examine anything that was material to that contract.

Mr. FULTON. Beyond that provision you are unwilling to go?

Mr. EWING. Sure. What else are they interested in beyond that?

Mr. FULTON. With respect to that provision, it says, "as soon as is convenient after the close of any year." Did you mean by that to restrict their accountants to looking at that only once a year and then only after the close of the year and then only when convenient?

Mr. EWING. Well, you see, that was on the question of the determination of profits. That was when that was to be done. Your profits are to be determined annually. But I don't think there would be the slightest objection to their doing it any time.

Mr. FULTON. You construe this as giving them at least the right to look at the list of things you set out any time they want, to any extent?

Mr. EWING. I think any partner has the right to do that.

Mr. FULTON. And do they have to do that with this accountant that is to be selected or can they send their own accountant to make their own examination?

Mr. EWING. No; that has to be a certified public accountant.

Mr. FULTON. In other words, you reserve the right to refuse an examination even to that limited extent, to a representative of the Defense Plant Corporation unless you have yourselves agreed that that is one of the firms that you are willing to have hired.

Mr. EWING. That is right.

Mr. FULTON. And you are unwilling to sign an agreement without that kind of restriction?

Mr. EWING. That hasn't been asked, because I think it would be a perfectly unfair thing to ask.

The CHAIRMAN. Do you think it would be perfectly unfair for the Defense Plant Corporation to have its own bookkeepers have the right at any time they wanted to, to see the partnership books?

Mr. EWING. No; they have that. They have that, but this is our books, Senator.

The CHAIRMAN. That is the question that was asked.

Mr. EWING. Oh, no. They have the absolute right any time, day or night, to examine the books relating to partnership business.

Mr. FULTON. Have they got the right to find out, for example, these five facts listed in Eighteen,¹ or any of them, at any time?

Mr. EWING. Now wait a minute. The Senator said relating to the partnership business.

The CHAIRMAN. You said they were barred from seeing any of the other books but the partnership books.

Mr. EWING. No, Senator. This provides in subdivision A that we keep all costs and books relating to the construction program. B provides that we keep all books relating to the operation of the plants. C provides that we keep certain accounts with respect to all shipments, both from our own plants and from the Government plants. D provides [reading]:²

Make available to Defense Corporation for audit and inspection all of the records, information, and data referred to in subdivisions (a), (b), and (c) of this paragraph.

They have an unlimited right as to those.

Now in subdivision E, which you are coming to, we were trying to set up a mechanism by which the Defense Plant Corporation fairly could judge whether or not our operation of these Government-owned plants was as efficient as was the operation in our own plants.

The CHAIRMAN. That is what we are interested in.

Mr. EWING. Yes. Now on that, we provide that our own books as to our own business can be examined by a certified public accountant agreed to by both parties as to these various items which constitute more than 90 percent of the cost. We also agreed that if there were other items that both Alcoa and Defense Corporation considered pertinent and important, the man could go into them, into our books, and make a report to Defense Plant Corporation.

Mr. FULTON. And as to that you take the position that it should not be done by a Defense Plant representative and it should be done only once a year.

Mr. EWING. I don't know that that is our position.

Mr. FULTON. That is what you have written into the contract.

Mr. EWING. Yes; but that isn't what you asked me. You asked me if we would take the position that we wouldn't do anything else. I haven't said that. This was agreeable to Mr. Jones and to us, and we were trying to work out something that was fair to both sides, and I think this is.

Mr. FULTON. A good many weeks ago, the committee asked that you examine and have the board of directors, if necessary, examine these things so that the Aluminum Co. representative could speak.

Mr. EWING. We are speaking.

Mr. FULTON. And now the point is, essentially, do you construe that contract and will you continue construing it as giving you that right which you are unwilling to give up?

Mr. EWING. Well, the contract speaks for itself.

Mr. FULTON. I know it does. It speaks eloquently.

Mr. EWING. And it simply says that the parties will agree on a certified public accountant who goes in and examines our books with

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284 at p. 2288.

² Idem.

respect to these various items and such other matters that are agreed to be pertinent and important. That is satisfactory to Defense Plant Corporation; it is satisfactory to us.

Mr. FULTON. In any event, the Aluminum Co. claims whatever rights it has under that particular provision, and it is unwilling to discuss changing them.

Mr. EWING. I didn't say the latter.

Mr. FULTON. Then has nobody asked you to discuss changes?

Mr. EWING. No one has asked us to.

Mr. FULTON. Including the new contract, then, Mr. Jesse Jones has not asked you to consider any broader rights?

Mr. EWING. No; that is right.

Mr. FULTON. And until he does, you won't consider it.

Mr. EWING. I don't know why we should.

Mr. FULTON. Mr. Wilson says there is no reason to.

Mr. EWING. There is no reason to.

The CHAIRMAN. This committee is interested in it. You might consider it for the benefit of the committee. We are going to continue to be interested in it.

Mr. EWING. You are telling us that for the first time. I didn't know that.

The CHAIRMAN. We are trying heroically to display our interest in the contract.

Mr. EWING. I didn't know you wanted to rewrite the contract.

The CHAIRMAN. We don't want to rewrite the contract. What we want is to protect the interest of the Government.

Mr. EWING. I honestly think you are amply protected.

Mr. FULTON. Amply protected to the extent that you can tell the Government that only once a year can it look at these things, and then only to that limited extent, and then only with your accountants.

Mr. EWING. That is not a fair way of putting it, because that is not the fact. We are not telling—

The CHAIRMAN (interposing). You state the fact just as it is.

Mr. EWING. The fact is that that was all that was considered necessary at that time. They didn't consider it necessary to be going in there all the time, and that is what the agreement says.

Mr. FULTON. If they should happen, 5 years from now, or 4 years from now, to think it might be desirable to make it, then they wouldn't have any right, would they?

Mr. EWING. I haven't the slightest doubt that if Defense Plant Corporation wanted to go into these things every month they could—that we would agree to it.

Mr. FULTON. Then simply rewrite that provision and say, "We agree to let them look at it every month to any extent they want to."

Mr. EWING. Maybe every month is not enough. We will give them any time they want to from time to time.

Mr. FULTON. One other thing on that accounting, and that would end it: Who is going to determine whether it comes within one of those five categories or not for the purpose of determining whether it be shown to this outside accountant? I take it that is Alcoa.

Mr. EWING. I think that the accountant himself would decide that.

Mr. FULTON. He would look at everything, and all books would be available, and he would decide which ones were those items, and he

would have an unlimited right to look and to make up his own mind as to whether it was or was not one of those items?

Mr. EWING. I should think so.

Mr. FULTON. Is that your conception of it, Mr. Wilson?

Mr. WILSON. I don't think it is, no; and I differ with a great deal of diffidence, with counsel on a matter such as that, but I wouldn't think that to determine whether an item related to the cost of carbons, for example, or these specific five items, he would go on a searching expedition throughout all the books that the company had. I think he would make a request for all data in regard to those items, and they would be given him in perfectly good faith.

Mr. FULTON. You decide for the accountant whether it related to that item, and if you happened, in a border-line case, to decide in your favor, he would never even get a chance to look at it.

Mr. EWING. I don't think Mr. Wilson means that.

Mr. WILSON. I don't mean that, but I don't go as broad as I take it you might construe Mr. Ewing's answer to your question.

Mr. FULTON. If I were an accountant and were charged with determining those particular factors, I would have to determine whether anything in the books related to those factors or not, and I wouldn't be satisfied to give a certificate with respect to those accounts based solely on the information given me or the books that I was permitted to see by the company.

Mr. WILSON. I think a certified public accountant would have to get assurance, satisfactory to him. What that assurance would consist of, I can't say, because I am not a certified public accountant, but I am firmly confident there would be no difficulty in working out the procedure and having the certified public accountant satisfy himself completely on that point.

Mr. FULTON. In the last analysis you reserve the right to look through your papers and to determine which ones of those you think come within the possible purview of those five items, and then hand those to the accountant, and those only.

Mr. EWING. Oh, no.

Mr. WILSON. Oh, no. Let me make clear why I say I don't think the certified public accountant would expect to see all the books of the company. I don't see what a sales ledger of sales to customers would have to do with this item, and I don't think he would be entitled to go into the sales ledger to determine these items.

Mr. FULTON. But in connection with those papers and books which he might think might have to do with it and which you might think had nothing to do with it, he wouldn't have a chance to look at them.

Mr. WILSON. I think he would.

Mr. FULTON. Then you agree with Mr. Ewing that as to anything that the accountant would say he thought he should see for the purpose of making that determination, it should be shown to him.

Mr. WILSON. That is right. I think we would be obligated to that certified public accountant to see that he had seen the records that permitted him to make the decision.

The CHAIRMAN. I wish you would say that in the contract.

Mr. EWING. I think we do. I think that is what this means.

The CHAIRMAN. All right; if that is the way you interpret it, I think the record will maintain you on that.

Before it is time to quit, I want to ask you a question about that appendix to the contract and section 4. I have been puzzled over that section 4. It says here for overhead—and a lot of things are enumerated in the first part of the paragraph—¹

One-fourth of one cent per pound of aluminum produced in that year in the leased plants.

And then in the next sentence it says:

* * * for such portion of its overhead as cannot thus be specifically allocated to the operation of the leased plants, Alcoa may also include as an item of operation expense the sum of one-half cent per pound of aluminum produced in the leased plants.

Just exactly what does that mean? Does that mean they are going to charge a fourth of a cent a pound for the whole thing and then charge a half a cent a pound for the whole thing and then charge a half a cent a pound or a fourth cent a pound for alumina?

Mr. EWING. In this respect I want to say that I don't think this wording accurately represents what both Mr. Jones and Mr. Davis understood it to be.

The Chairman. I wish you would tell us exactly what that means.

Mr. EWING. Exactly what their understanding was was set forth in the summary of the contract which Mr. Jones submitted to the committee after he testified and which Mr. Davis had seen. The actual identifiable items of overhead applicable to alumina were to be included to the extent that you could actually prove them, but not in excess of an eighth of a cent a pound.

Mr. FULTON. It is a quarter of a cent, treating it for each 2 pounds.

Mr. EWING. It is easier to talk about eighths.

The CHAIRMAN. That is all right. We understand.

Mr. EWING. This contract only provided for 400,000,000 pounds production of alumina, and as it takes 2 pounds of alumina to make 1 pound of aluminum, that would only provide for 200,000,000 of aluminum.

The CHAIRMAN. That is right.

Mr. EWING. We had contracted here to build plants that would have a capacity of 340,000,000 pounds of aluminum, so that that would require 680,000,000 pounds of alumina from some source. Therefore, it was expected that unless there were some shut-down, at least as long as the aluminum plants were running at full capacity, all of this alumina would go into these plants. Therefore there was never intended to be any duplication of the general overhead on alumina. We can include the specific overhead on alumina up to an eighth of a cent, but if that alumina then goes into the manufacture of aluminum, that is all of the overhead that would be charged.

The CHAIRMAN. In other words, you couldn't charge an eighth of a cent a pound for overhead on alumina, and then charge a fourth of a cent a pound on aluminum for the same alumina that had already been charged for. Is that what you are getting at?

Mr. EWING. We approached it this way. We divided this between specifically allocable overhead that you can identify as against your

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284 at pp. 2292-2293.

general overhead that is all spread out so that you can't pick up various items, but you know it is there. On the aluminum, we provided that that general overhead was to be a half cent. Again on aluminum, these items that might be specifically identified were to be included, but the up limit to which that could go was a quarter of a cent.

Now, on the alumina we have no general overhead. Although this reads as though you could, we do not. It was not intended that we could collect another quarter of a cent on the alumina to the extent that that is used in the smelting plants.

The CHAIRMAN. Why don't you make it read to mean what it says?

Mr. EWING. That will be done.

Mr. FULTON. As it now reads, it reads that you could on both.

Mr. EWING. That is right, and that was never intended.

The CHAIRMAN. Make it mean what it says.

Mr. EWING. Yes.

NEGOTIATIONS FOR SUPPLEMENTAL AGREEMENT BETWEEN DEFENSE PLANT CORPORATION AND ALCOA

Mr. FULTON. I ask you whether it was never intended. Will you look at page 125 of that draft that you showed me?

Mr. EWING. Of what? Beg pardon.

Mr. FULTON. Of the original draft, your No. (in red ink) 125.

Mr. EWING. I don't know which one you mean, Mr. Fulton.

Mr. FULTON. The page was your paging in your red ink. I asked you this morning to return it. It was a draft.

Mr. EWING. That probably was a duplicate.

Mr. FULTON. They were all in order at the time I saw them, in numerical order.

Mr. EWING. Here is 126.

Mr. FULTON. It is a draft of the entire contract, of which that is a particular provision.

If you will turn to page 125, I think you will find that the language you originally drafted in there, quoting, was [reading]:

An amount equal to 1 cent per pound of alumina produced in the leased alumina plants, and an amount equal to 1 cent per pound of the aluminum ingots produced in the leased aluminum smelting plants.

So in that original language there was still less doubt that it related to both and that you could get it on both.

Mr. EWING. I think there is no question that originally we did have something like that in mind. What I mean to say to you was that in the final contract the language got by in a way that was not intended. What we had in mind at first was probably very different.

Mr. FULTON. You have a modification of that or a stipulation, have you?

Mr. EWING. That will be cleared up.

Mr. FULTON. Now with respect to that, in that original draft you people had four times as much for alumina and twice as much for aluminum. It was a cent a pound each.

Mr. EWING. Well, I am frank to say I don't know how that 1 cent got in there. I noticed it in here. It is in pencil. I don't know. As far as I can recall, I don't remember any discussion

of those figures. Do you remember? I don't know where they came from.

Mr. WILSON. I personally have no recollection of those figures.

Mr. FULTON. I computed those on the basis of this modified contract, which I understand you are negotiating now, and it amounts to the sum of about \$15,000,000 a year, close to that at 1 cent a pound.

Mr. WILSON. Oh, no. That has never been considered the basis.

Mr. EWING. I don't know where it came from.

Mr. FULTON. It was in the papers you delivered to me, Mr. Ewing, and that is \$10,000,000 for alumina and roughly \$5,000,000 for aluminum a year for each of the years that you are operating at capacity.

The CHAIRMAN. The committee will have to take a recess because I have to be in the Senate. Will 2 o'clock be satisfactory to you gentlemen, or 2:30? Let's make it 2:30.

Mr. FULTON. In the recess, will you check on where those 1-cent figures came from?

Mr. EWING. I wouldn't know how to check, because Mr. Davis and Mr. Wilson and I are the only ones that know anything about it.

Mr. INGERSOLL. Senator, may I ask as a matter of personal plans, do you expect to continue after this afternoon?

The CHAIRMAN. We will try to get through this afternoon. That is the reason we are having a session this afternoon. We are trying to finish. I thought you would rather do that than to come back Monday or Tuesday.

(Whereupon, at 12:45 p. m., the committee recessed until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee resumed at 2:35 p. m., Senator Truman (the chairman) presiding.

The CHAIRMAN. The committee will come to order, and we will proceed, so as to make use of all the time we can. Mr. Fulton, you were questioning the witness.

Mr. FULTON. I wonder, Mr. Ewing, if during the recess you ascertained more about that 1-cent provision you had in the original draft there, your draft No. D-113?

Mr. EWING. I didn't do anything about it.

Mr. FULTON. On the basis of that, if that had prevailed, it would have amounted to not only a double payment but a payment that would have been as much as \$15,000,000 a year if you should get the Bohn and the Union Carbide plants, would it not?

Mr. EWING. I haven't figured it.

Mr. FULTON. One cent on the 1,000,000,000 pounds of alumina is \$10,000,000 a year, isn't it?

Mr. EWING. Well, but you can't apply those figures to plants that weren't in contemplation at that time.

Mr. FULTON. That is what it would be on the program that is in contemplation now?

Mr. EWING. No.

Mr. FULTON. \$10,000,000 a year on the alumina alone.

Mr. EWING. I don't know where that figure came from.

Mr. FULTON. It came from the Aluminum Co., didn't it? Mr. Jones didn't suggest it, and you cut it down to the extent it was cut down.

Mr. EWING. It showed he traded us out of what he wanted.

The CHAIRMAN. I am glad he made one good trade, anyway.

Mr. EWING. He got us a long way from where we started.

Mr. FULTON. At that time, when you proposed that 1 cent, did you have any studies that you had prepared showing how much this overhead was, so as to justify the advisability of asking for such sums as those?

Mr. EWING. Frankly, I do not think that was ever asked. I don't know how that got there, or what the discussions were between Mr. Davis and Mr. Jones over it. I do not know.

The CHAIRMAN. That is the reason we were anxious to have Mr. Davis here. We had Mr. Jones here, and he gave us his side of the questions, and we were very anxious to have Mr. Davis here to give us his views, but of course Mr. Davis is ill and unable to be here, which we regret very much, because I am vitally interested in this new contract that you are bringing up, and I don't want the same escapements in that contract that are in this one.

Mr. FULTON. At any rate, you don't know of any studies even with respect to the quarter-cent or half-cent that were ever submitted to Mr. Jones?

Mr. EWING. No.

Mr. FULTON. Upon what basis did the Aluminum Co. ask for it if they didn't submit any papers?

Mr. EWING. You are assuming that they did ask for it. I don't know that that is a fair assumption.

Mr. FULTON. Well, you made the first draft, did you not?

Mr. EWING. Yes.

Mr. FULTON. And you put into that—

Mr. EWING (interposing). No; no—well, I don't know where that figure came from. It is put in there in pencil. There was a blank space left, and where that 1 cent came from I don't know.

The CHAIRMAN. You made this draft for Mr. Davis, no doubt?

Mr. EWING. That is right.

The CHAIRMAN. And the pencil notation must be his, if it isn't yours.

Mr. EWING. I don't think Mr. Davis ever saw this copy. He had another copy. This was my own copy.

Mr. FULTON. Then how would it have got in there?

Mr. EWING. I don't know.

Mr. FULTON. None of you have any recollection of that 1 cent?

The CHAIRMAN. Understand, I wouldn't blame the Aluminum Co. for getting the 1 cent if they could, but I would very seriously blame Mr. Jones if he let you have it.

Mr. EWING. I would blame ourselves if we tried to make an unfair contract.

The CHAIRMAN. When you are making a contract you deal at arm's length with the other fellow and are entitled to what you can get. I am not blaming you for any of these things. I am trying to get your views on this contract and what it is intended to mean, because I am trying to protect the interests of the Government so far as I can.

Mr. EWING. This goes back to the first draft, and the final contract was a long way from that first draft.

The CHAIRMAN. Of course, the asking price is always much greater than the one you are going to take.

Mr. EWING. Sure.

Mr. FULTON. In any event, you are definitely planning on eliminating, both in this contract and in any future contracts, any possibility of getting paid the overhead on both the alumina and the aluminum?

Mr. EWING. The unallocated overhead; yes.

Mr. FULTON. How about the allocated?

Mr. EWING. The allocated overhead those that definitely can be allocated to alumina; we want that, but that wouldn't mean a duplication, Mr. Fulton. You see, that would be overhead. that would be definitely allocable to the making of the alumina.

The CHAIRMAN. We are not interested in that that can be allocated. The overhead that can be allocated is specifically set out in the contract. What we are interested in is what you intend to do on the unallocated overhead, and whether you intend to charge twice for it.

Mr. EWING. There will be no double charge.

Mr. FULTON. Then the one-quarter cent you expect to get to the extent that you can allocate overhead expenses for that amount?

Mr. EWING. That is right.

Mr. FULTON. Both for aluminum and alumina?

Mr. EWING. That deal isn't finally made. There will be no duplication.

Mr. FULTON. But as to this existing contract, you expect to get up to one-quarter cent on the alumina, and also on the aluminum made from that alumina, to the extent that you can allocate the overhead?

Mr. EWING. No; it isn't that; it is an eighth of a cent on the alumina and a quarter of a cent; that is the maximum.

Mr. FULTON. But I mean it is that eighth of a cent or a quarter of a cent for 2 pounds. You expect to get that in both places.

Mr. EWING. Where you can show that that work was done, then you are to be reimbursed for it, and that is merely a top figure.

Mr. FULTON. And then as to the half cent on the aluminum, which would be half of that on the alumina, you expect to get that only on the alumina, and not on any aluminum produced from alumina on which you had obtained that unallocated overhead?

Mr. EWING. I am not sure. The way I would state it would be this—that on the unallocable, for the general overhead we only expect to make one charge, and that is a half cent. There would be nothing on the alumina that is used in the aluminum plants.

The CHAIRMAN. That is what we are getting at.

Mr. FULTON. Now, on the basis of 1,000,000,000 pounds of alumina, which is what you are now discussing in the original contract, plus the modified contract, that would mean an eighth of a cent is a million and a quarter of unallocated overhead?

Mr. EWING. I don't know what that deal will be.

Mr. FULTON. But an eighth of a cent, unless you modify the deal you got in August, would be a million and a quarter.

Mr. EWING. We will modify that.

Mr. FULTON. In other words, you will lower that eighth of a cent?

Mr. EWING. There will be some modification there. What it is I don't know.

Mr. FULTON. Will that also relate to the half a cent, the quarter of a cent—that is, two and a half million dollars a year on the alumina, even on your basis of not counting it twice, for unallocated overhead, unless it is modified in this new agreement—is that right?

Mr. EWING. Well, you see, there would only be—theoretically there would be, if the leased aluminum plants are all in operation—they would take 680,000,000 pounds of alumina. That would leave 320,000,000 pounds to go to the outside, and as to that there would be whatever direct allocable charges, overhead charges, could be made, plus something to reimburse us for general overhead on that, and what that figure would be has not been determined.

Mr. FULTON. As I understand you, you are asking for a half cent on each 2 pounds of alumina.

Mr. EWING. Oh, no.

Mr. FULTON. That is what you construe this August agreement as being.

Mr. EWING. But you are talking now about an agreement that hasn't been made.

Mr. FULTON. You have a draft of it. Now, what have you got in that draft on this point, only that one point?

Mr. EWING. Only that one point? We have a blank in there at one point, because so far as this thing has developed, this merely is the basis of our present discussions, to which no one has agreed—this would provide that the directly allocable overhead, the limit on that, would be one-quarter of a cent a pound on aluminum produced in the leased plants, and an eighth of a cent on the first 400,000,000 pounds, and a sixteenth on all over the first 400,000,000 pounds.

Mr. FULTON. Now, in that 400,000,000, does that include the 400,000,000 in the August 19 contract?

Mr. EWING. It is intended that that is the 400,000,000.

Mr. FULTON. In other words, this is a modification of the August contract, rather than a separate contract for separate plants?

Mr. EWING. That's right; this is a substitute paragraph for that old paragraph.

The CHAIRMAN. And the statements on that same subject which you have made this morning will be regarded in the same light?

Mr. FULTON. This is the proposed new contract on this one point, to lessen the amount of overhead premium that was to be given.

Mr. EWING. There still would be no duplication, just the way I told you on the first one.

Mr. FULTON. Then, on that basis, on the allocated overhead, the first one-eighth, on the first 400,000,000, and then it would be one-sixteenth on the next 600,000,000.

Mr. EWING. That would be the maximum.

Mr. FULTON. With no duplication, except that you could have up to that same amount of allocated overhead on the aluminum.

Mr. EWING. Up to a quarter.

Mr. FULTON. Up to twice that amount.

Mr. EWING. That's right.

Mr. FULTON. And then when you come to the unallocated overhead—in other words, as I understand it, when we first had discussed it you put in all the charges you can properly put to the defense plants, then you allocate overhead, including even parts of your main

office building, and everything else, and then we come to the unallocated overhead angle. What will that be under the revised set-up?

Mr. EWING. That was to be a half cent on aluminum and a quarter—now, when I go to alumina I am only talking of alumina that will be sold to outsiders.

The CHAIRMAN. Not the alumina that goes into this product you are talking about now?

Mr. EWING. That's right. It will be a half cent on aluminum, and on the alumina that is sold outsiders it would be a quarter of a cent on the first 200,000,000 pounds and an eighth of a cent on the next 200,000,000 pounds.

Mr. FULTON. Now, it is a half cent on all the aluminum, then?

Mr. EWING. That is right.

Mr. FULTON. And if the Bohn and the Union Carbide do not operate these plants, as in fact probably they won't, then what will be the total amount of aluminum that will be produced under these plants?

Mr. EWING. There will be 448,000,000 pounds.

Mr. FULTON. And a half cent on that will be \$2,200,000 annually for that overhead item.

Mr. EWING. That is—now, there will be limits on these. There will be top limits which have not yet been agreed on.

Mr. FULTON. Oh, there is going to be a top limit superimposed on it?

Mr. EWING. That's right. At least that is the way we are working, Mr. Fulton. I don't know what the final thing will be.

Mr. FULTON. You haven't got one of those in yet?

Mr. EWING. No.

Mr. FULTON. That would make a very substantial difference, if there is a top limit on these and if you have this sliding scale, from what would have amounted to \$15,000,000 a year under that provision as originally set forth, had that been applied to the full amount of the program that you are now talking about.

Mr. EWING. Well, you are talking about a proposition that was never seriously considered by either side.

Mr. FULTON. Well, now, let's see if it wasn't seriously considered. Didn't you contemplate at all times that the Aluminum Co. was the company that was going to get the billion pounds of alumina expansion?

Mr. EWING. No; because—

Mr. FULTON (interposing). Have you ever heard any discussion of anybody else being considered for any part of that?

Mr. EWING. I never even heard the billion pounds mentioned until after this contract was made. Maybe somebody else did.

Mr. FULTON. You didn't read the testimony before the committee that the O. P. M. people gave?

Mr. EWING. I didn't think they said anything about a billion-pound plant for alumina.

Mr. FULTON. Not one plant, but expansion. If you are going to expand aluminum by 600,000,000 and you need 2 pounds of alumina for each pound of aluminum, isn't it quite obvious that you have to have alumina expansion that will at least be in the neighborhood of a billion pounds or more?

Mr. EWING. Sure; but there was never a suggestion that we were to have anything to do with anything except 400 million pounds, or at

least that I ever heard up until August 19, when this contract was made.

Mr. FULTON. When did you first hear of that, Mr. Wilson?

Mr. WILSON. I don't recall. I, of course, thoroughly appreciated that they had to get enough alumina production to back up these smelting plants. I don't know when any discussion reached the point where there was any indication that they wanted us to operate the two alumina plants. At one time there was under discussion two alumina plants; for quite a while there was under discussion two alumina plants for Arkansas; and I think I rather tended to, I suppose, assume when they first talked of two alumina plants that we might be asked to operate one of them and somebody else might be asked to operate the other one.

Mr. FULTON. You can't place a date on when, for the first time, you ever had any discussion with anybody about the possibility of your getting the other 600,000,000 pounds?

Mr. WILSON. No; I can't place it at all.

Mr. FULTON. On August 4 Mr. Knudsen, in writing to Mr. Jones, specified that there wasn't at that time any allocation of the remaining alumina plants to anyone, in the sense, at least, that he hadn't made recommendations; but you, I understand, or your negotiating theory, was it not, was that you would also be negotiating for additional plants?

Mr. WILSON. I don't believe that the term "negotiating" with O. P. M. quite represents what our discussion was, the form that our discussions took. We have constantly taken the position with O. P. M. that we would undertake whatever O. P. M. or the other Government agencies wanted to call on us for. And I think for that reason—I am sure for that reason—the O. P. M. has always taken it for granted that if they developed a program, along whatever line it might be; if it was their decision and their recommendation that Alcoa, the Aluminum Co. of America, was to have any part in it, they relied on our general assurances, which have always been given them, that we were always ready to do whatever we could to further the program, so that there were practically never negotiations with O. P. M. as to whether we would be willing to operate this plant or what not. They just didn't take that form.

Mr. FULTON. But in any event you didn't make any plans in which you thought of the possibility of your operating that plant.

Mr. WILSON. I think we undoubtedly thought of it and recognized we might be called on, but I don't recall of any discussion in that connection.

Mr. FULTON. When did you first begin to do that thinking about these additional alumina plants?

Mr. WILSON. Oh, the moment that the Government program was announced, on June 27.

Mr. FULTON. So even then you had in mind getting this additional 600 000 000 that you are now negotiating for?

Mr. WILSON. No; we had in mind that the Government was going to have to see that additional alumina was provided in some manner or other. It might take the form that they would call on us and ask us whether we would make expansions at our existing alumina plants. We didn't know. That was when we were told we weren't

to be permitted to make any more expansion of our own, that it was to be all Government-owned facilities.

Mr. FULTON. Now, with respect to your earlier testimony, I think you said that you were told that you were to negotiate on the basis of 340,000,000 pounds of additional aluminum facilities.

Mr. WILSON. That wasn't until July 15.

Mr. FULTON. Yes; July 15. Now, it was at that time that Mr. Ewing and others started to work on the preliminary draft for the contract; was it not, Mr. Ewing?

Mr. EWING. The following day.

Mr. FULTON. Did you and Mr. Wilson have any basis at that time to assume that you were going to be given additional plants other than that 340,000,000?

Mr. WILSON. No; in fact we were rather given the impression that we would not.

Mr. FULTON. Then why, Mr. Ewing, did you insert in that draft D-113 a specific provision relating to the construction of plants that at that time were supposedly going to Bohn, Union Carbide, and Olin?

Mr. EWING. The Defense Plant Corporation wanted us to specifically obligate ourselves to build such other plants as they asked us to build, and we were perfectly willing to take the obligation.

Mr. FULTON. Have you got that draft D-113?

Mr. EWING. Is that the one we were talking about this morning?

Mr. FULTON. Yes. Might I have that for a minute?

Mr. EWING. Yes.

Mr. FULTON. At that time it is specifically provided in the contract, referring even by name to the other three plants, and then was stricken out, that there was to be later three further aluminum smelting plants with aggregate productive capacity of approximately 160,000,000 pounds. And in the next clause, again stricken out, it names their locations: Tacoma, Spokane, and California. And those are the three precise locations that were being discussed for Bohn, Union Carbide, and Olin. Now, why did you first insert it and subsequently strike it out, because there is no such reference in the August 19 contract. There is only a statement there that if the Defense Plants asks you, it may ask you to construct, and there is no provision that you are to construct.

Mr. EWING. Well, as I recall that situation, you can check me if I am wrong, Mr. Wilson, those plants were in the program that was announced by O. P. M. Whether they were—whether the Union Carbide and the Bohn Aluminum Co. and the Olin Co. would build those plants was not known at the time, but I think there was some discussion that we might be asked to build them.

Mr. WILSON. That's right.

Mr. EWING. And then, as it developed, I assume they were carrying on discussions with them at the same time, although I don't know. I judge from Mr. Jones' testimony later that possibly they were not.

Mr. FULTON. There were no other discussions between Mr. Jones and any of those people so far as any of his memoranda indicated until the week that we scheduled a hearing from Mr. Jones on this contract.

Mr. EWING. That is something we were not advised of and knew nothing about. And there was some talk about wanting us to build

those plants, first that they might want us to build them, and I think the first draft or the early drafts, in the early drafts, we put it down specifically, and then it was left that those people might build them themselves, so when the final drafted contract came to be written, it was simply put in that we were to build any plants they might ask us to build, and we agreed to operate them except for one exception on the same basis if they wanted us to.

Mr. WILSON. We were definitely asked by O. P. M. whether we would construct plants for somebody else.

Mr. EWING. To operate.

Mr. WILSON. To operate after they were finished. We said "yes," we would cooperate in any and every way.

Mr. FULTON. Were you also discussing the possibility of operating those plants?

Mr. EWING. I don't think so, at that time.

Mr. WILSON. No; we were definitely told that we were not to operate those plants. That is why we were asked whether we would design and construct plants for others to operate.

Mr. FULTON. But you are now discussing the possibility of operating those, except that of the Olin organization.

Mr. WILSON. No; not that I know of.

Mr. FULTON. You still are not?

Mr. WILSON. I know of no such discussion.

Mr. EWING. We are to build them. That has been definitely decided. We are to build the Spokane and Los Angeles plants.

Mr. FULTON. Yes; I know.

Well now, all of these competitors, or rather competing Government plants, including the private plant that the Reynolds Co. built with its private capital raised through an R. F. C. loan, as I understand it are to get their alumina from the alumina plants that are to be managed by the Alcoa company.

Mr. EWING. This one plant.

Mr. WILSON. Just a moment. I don't think that is quite as I understand it.

Mr. EWING. That's right.

Mr. WILSON. The Reynolds Co. has an alumina plant now.

The CHAIRMAN. Where are they going to get their bauxite?

Mr. FULTON. Where are they going to get their alumina? They haven't capacity for that additional 100,000,000 pounds.

Mr. WILSON. I don't know what capacity they have, but you said—at least I understood your question to be that all of the requirements for these other plants, including the Reynolds privately owned but R. F. C. financed plant, were to come out of this alumina, I think your statement said the alumina plants operated by Alcoa. That is not the fact.

Mr. FULTON. Where is it to come from?

Mr. WILSON. The bigger portion of their alumina requirements will undoubtedly be taken care of out of their own alumina plant which they now own and are operating.

The CHAIRMAN. Where do they get their bauxite from for that plant?

Mr. WILSON. I don't know. They have bauxite properties in Arkansas and they have imported bauxite.

Mr. FULTON. First take alumina. Is it your understanding after these months of negotiation that the Reynolds Co. will have sufficient alumina to operate the new plant?

Mr. WILSON. I don't know.

Mr. FULTON. That hasn't even been explored?

Mr. WILSON. I assume it has by others, but not by us. I don't know how much capacity Reynolds has in its alumina plant, or whether it plans any expansion.

Mr. FULTON. And there is no present negotiation leading to any provision in the contract which would assure that they get enough to operate that particular plant if they need it? Or even that they get any?

Mr. WILSON. Yes; I think there is. I think there will be. But that is a part of a planning that is done by somebody else. When they say that we need a billion pounds of alumina capacity in this plant that is under construction in Arkansas—

Mr. FULTON (interposing). It is to be one plant?

Mr. WILSON. One plant. That will provide additional alumina which will be available, whether it is for Reynolds or whether it is for Olin or whether it is for Union Carbide or whether it is for Bohn or whoever may be the operators of these plants.

Mr. FULTON. But there is no allocation of any kind of how much will be needed by each of these plants, or of any basis on which they are to get that?

Mr. WILSON. I don't doubt for a moment that O. P. M. has this all scheduled.

Mr. FULTON. O. P. M. isn't even a signatory of this agreement.

Mr. WILSON. But they are the ones that have recommended the capacity to be provided for in this plant, and in recommending that capacity I would assume that they have figured in any requirements that are going to be necessary, that will necessarily need be taken care of out of this plant for any definite capacity Reynolds may have. I do not know how much, definitely, there may or may not be.

Mr. FULTON. The same thing applies to Olin?

Mr. WILSON. I would think so, though I understand they have a test plant of their own. I have heard so many stories as to the size of that plant that I certainly have no specific information as to what the capacity is to be.

Mr. EWING. I can perhaps clear that up for you, because I have this draft, although nothing has been agreed on. "Alcoa agrees that when the alumina plant is completed"—we are now talking about the billion-pound plant—

The CHAIRMAN (interposing). In Arkansas?

Mr. EWING. In Arkansas.

Mr. FULTON. Which was, in August 400,000,000?

Mr. EWING. Yes. [Reading:]

Alcoa agrees that when the alumina plant is completed production of alumina therein shall be at such rates within the capacity of the plant, and for such periods, as Defense Plant Corporation shall from time to time determine, provided that Alcoa shall have the right to operate said plant at least at such capacity as is necessary to supply alumina to the leased aluminum smelting plants to the extent of their requirements.

Mr. FULTON. It is a little hard, of course for me to follow the thing, but I note one very major improvement there, I think, over

what was in this August 19 contract. As I understand you, you read that this time they are to be operated at such rates and for such periods as shall be determined by Defense Plant.

Mr. EWING. Except that we always have a right to operate it at a rate of capacity that will supply the leased plants.

Mr. FULTON. Yes; but in the August 19 contract it was provided that it would be at such rates and for such capacities as should be agreed upon by Alcoa and Defense Plant, so you have eliminated the requirement that Alcoa has to consent to the operation.

Mr. EWING. There the point was that that was all going into the leased plants. Here you will have a productive capacity in excess of what will go into the leased plants.

Mr. FULTON. If it was all going into the leased plants, why was there provision for the transfer of the remainder of it, and the disposal of it in such manner as the Defense Corporation may direct, at prices to be agreed upon by Defense Corporation and Alcoa?

Mr. EWING. Because you might have a let-down in consumption in the leased plants, and there might be an excess production there, but so long as the leased plants were operating up to at least 200,000,000 capacity all of the alumina capacity would be absorbed in the leased plants. The language to which you refer was really to take care of a situation that it wasn't felt was likely to arise. I would like to go on with this.

Mr. FULTON. I would, too, but I want to take up that first point, which is very critical. On that first point, as I understood it, in the original draft there was no provision for the sale of that excess or requiring the sale of the excess, as determined by the Defense Corporation, and the provision even in the August 19 contract was inserted after the point had been called to your attention by the Defense Plant Corporation.

Mr. EWING. That may very well be. I don't know.

Mr. FULTON. Then we say at any event, Mr. Ewing, now the provision is that if this billion-pound plant is one that the Defense Plant Corporation wants to have operated it can have that operated without asking the consent of Alcoa?

Mr. EWING. That is right.

Mr. FULTON. And it is modified in that extent from what paragraph 13 of the August 19 contract provided?

Mr. EWING. That is right. Now it says alumina made in the leased plant shall be transferred to the leased smelting plants or sold to such other smelters of aluminum as the Defense Corporation may direct at such price or prices approved by Defense Corporation as will provide a reasonable profit. In case the production of alumina in said leased alumina plant is not sufficient to meet the requirements for alumina of the leased plants, and of the other aluminum smelting plants, not including any aluminum smelting plants owned by Alcoa or any corporation which is subsidiary or affiliated with Alcoa, then such production of alumina shall be fairly apportioned between the leased smelting plants and such other smelting plants as Defense Corporation shall direct. So your excess—

The CHAIRMAN. You have improved it tremendously; I will compliment you on that. I don't know whether you did it or Jesse Jones, but that is an improvement.

Mr. EWING. I will be glad to take the credit, but I will give it to him, too.

The CHAIRMAN. Maybe this committee deserves some credit.

Mr. EWING. This is a new problem because by increasing alumina production to 1,000,000,000 pounds, we have an excess production over what is required in the leased plants.

The CHAIRMAN. We agree to that and I think this new problem is probably brought up by this committee.

Mr. EWING. I am willing to give you all the credit to which you are entitled.

The CHAIRMAN. I don't want credit; I am just trying to save the Government some money.

Mr. FULTON. Now with respect to that it says, if I recall your language, that prices shall be reasonable profit. Now what definition is there of what a reasonable profit is? Is there a specified percentage?

Mr. EWING. No. Wouldn't it be simpler—wait a minute; I will tell you what is in there. It is in there. Those prices here are fixed by Defense Plant Corporation.

Mr. FULTON. When you say "here" you mean in the new proposal?

Mr. EWING. In the new one, sold at prices approved by Defense Corporation as will provide a reasonable profit.

Mr. FULTON. Prices fixed by Alcoa?

Mr. EWING. We can't fix a price unless they approve it.

Mr. FULTON. But he can't disapprove it unless they can say it is unreasonable?

Mr. EWING. That is right.

Mr. FULTON. Wouldn't it be a little simpler for you and Mr. Jones to discuss what you had in mind in reasonable profit and put that in, so there wouldn't be any argument?

Mr. EWING. Somebody beside me would have to do it, but somebody.

Mr. FULTON. Was this discussed, Mr. Wilson?

Mr. WILSON. I haven't even seen this draft.

Mr. FULTON. Well, I think it would be a good idea to discuss that because it is a vitally important thing for this reason, the price of alumina is very important to the competing Government plants or the plants of the Reynolds Co., which is R. F. C. financed. If you set that price of alumina too high and they start with 25 as the cost of what to them is their raw material, then it would be relatively much more difficult and perhaps impossible for them to compete in the sale of the finished aluminum ingot; isn't that correct?

Mr. EWING. Oh, yes; but the point here is we simply say that those prices shall be such as are approved by Defense Corporation and I don't know what the situation would be 6 months or a year from now, and no one else does, and we tried to set up an arrangement here that is fair to these people, and it is left practically—the only place we can object is that if they tried to insist on a price that we would consider unfair.

Mr. FULTON. No; you set the price and they have to show it is unfair; the burden is on the other party.

Mr. EWING. Well, no; I don't think so.

Mr. FULTON. Isn't it?

Mr. EWING. Let me read the sentence.

Mr. FULTON. Wouldn't they have to take the burden in establishing the price was one that was unreasonably high profit?

Mr. EWING. You don't get a price until they have approved it, don't you see?

Mr. FULTON. I see; so it is a matter of negotiation and not a case where you think they have the burden of showing?

Mr. EWING. No, no.

Mr. FULTON. Now do you have anything in there about amortization rates or anything of that kind?

Mr. EWING. No, sir.

Mr. FULTON. That is another possible element of dispute as to what the cost would be to compute the reasonable price?

Mr. EWING. It is their plant; if they want to amortize it that is up to them.

Mr. FULTON. So you would accept whatever amortization rate, if any, they decided on their books?

Mr. EWING. I wouldn't know how to answer that because the idea was they have an interest in 85 percent of the profits here; we get 15 percent, and if this language here is finally adopted in the contract why the price would be such as approved by them.

Mr. FULTON. But there is a great deal of possibility of dispute in that language, even as now phrased, even though it is several hundred percent better than the existing contract?

Mr. EWING. It is just exactly what you always have in a partnership when two men are in partnership selling anything, of course they can fall out over the price at which they sell their stuff.

Mr. FULTON. And if one of them has an interest in an outside concern that has to get its raw material he usually wants to be pretty explicit as to just how to figure that price and that is why I wonder.

Mr. EWING. We have left it to that fellow to say what the price is.

Mr. FULTON. But you still haven't covered these points of the percentage which would be regarded as a reasonable profit?

Mr. EWING. No; and I don't think that would be practical.

Mr. FULTON. Why wouldn't it be?

Mr. EWING. What would you say would be a reasonable percentage?

Mr. EWING. I am not arguing on behalf of the Aluminum Co.

Mr. FULTON. The Aluminum Co. is the one asking for a reasonable profit on that 15 percent which is to go to it.

Mr. EWING. I think the Government is just as much interested as we are.

Mr. FULTON. A little bit more interested because it is putting up \$90,000,000 and you aren't?

Mr. EWING. And we are leaving it to them to fix the price.

Mr. FULTON. But the Government also has an interest in these other plants?

Mr. EWING. I think they are fully able to take of themselves on this thing.

Mr. FULTON. Would you be prepared to discuss percentages that you regarded as unreasonable or reasonable should Mr. Jones ask you?

Mr. EWING. Well, we will discuss anything Mr. Jones asks us to, but I don't think that is practicable.

Mr. FULTON. Why isn't it practicable for you people now to determine what you think is a reasonable profit? If you can't do it now how are you going to do it in a case when a dispute arises?

Mr. EWING. Wait until it is over; you can do it a lot better.

Mr. FULTON. In the meantime you might have this plant shut down because of this dispute in perhaps 6 months or a year, during which the company might say Reynolds would be in the unfortunate position of paying interest on its investment in an aluminum plant it couldn't operate.

Mr. EWING. You are seeing ghosts.

Mr. FULTON. I am seeing possibilities.

Mr. EWING. You are seeing ghosts.

The CHAIRMAN. I don't think it is a ghost at all, Mr. Ewing. The ghost you are probably thinking about is a change of administration, in which the whole attitude may be entirely different.

Mr. EWING. You mean change of administration of Defense Plant Corporation or of the national administration, because if it is anything like that, I certainly am not anticipating it. Don't accuse me of that, Senator.

The CHAIRMAN. I am not accusing you of anything; I am merely making a statement.

Mr. FULTON. Now with respect to that, of course, even the question—if you didn't have that question of how much your reasonable profit would be, your cost depends on the cost of bauxite. Has there been any change in the provision with respect to bauxite?

Mr. EWING. Yes.

The CHAIRMAN. We are very vitally interested in that.

Mr. EWING. We plan to change that, and I know there has to be a further change from what we have already discussed. I will explain what that is.

Mr. FULTON. On any of this, Mr. Ewing, if it is a point you would prefer not to discuss because of delicacy—

Mr. EWING. There isn't anything at all.

Mr. FULTON. In any of those points I might be asking a question relating to a particular issue that is in such a state of flux that you aren't at any agreement at all, in which case I wouldn't want to ask you to go into it; but if it is something reasonably agreed on there would be no objection to it.

Mr. EWING. Here we were providing the Defense Corporation may furnish as much of the bauxite requirements of the leased alumina plants as it desires at such prices as Defense Corporation may determine, providing—

The CHAIRMAN (interposing). That is much better.

Mr. EWING. Wait until I get through.

The CHAIRMAN. Maybe I will take it back.

Mr. EWING. Providing such price is not in excess of the price of bauxite of similar grade then being supplied to such plant by Alcoa.

Mr. FULTON. Does that mean you have the first offering?

Mr. EWING. It is just whatever they want to give us.

Mr. FULTON. But you don't have to take it. I see the Defense Plant has the first offering.

Mr. WILSON. Up to the price we set.

Mr. FULTON. But if the price is equal the Defense Plant may acquire from sources of its own rather than from Alcoa.

Mr. WILSON. Equal or lower.

Mr. FULTON. And that is I think, as Senator Truman stated, a definite change.

The CHAIRMAN. Very decided improvement.

Mr. FULTON. Now on bauxite has there been any increase in the bauxite operations intended to get for these plants an adequate supply at the time they open?

Mr. WILSON. Very definite plans. The program has been laid out for it. I can only speak insofar as those plans affect Alcoa's operations and incidentally I know that the plans are being made that affect other people's bauxite property as well, though I don't know in detail what those are, but there are a great many other owners of bauxite property in Arkansas who have been consulted and who are part of the program, as being developed by O. P. M.

Mr. FULTON. And, of course, from your standpoint as well as from theirs it is desirable for you to have some idea of exactly what kind of a program you are going to be asked to work on?

Mr. WILSON. That is correct.

Mr. FULTON. And in effect almost down to the point of knowing what you can reasonably expect to get for the bauxite and whether you have a market for it, if you increase your operation, so as to have it available?

Mr. WILSON. That is correct. Of course, we know if a plant to produce a billion pounds of alumina is under construction, bauxite to the extent of those requirements must be made available if that plant is to operate.

Mr. FULTON. But you haven't received any commitment and so far as you know neither have any others for any specified amount on any specified terms?

Mr. WILSON. That is correct.

Mr. FULTON. And yet the sooner such a commitment is made the sooner there would be certainty in that particular industry, would it not be true?

Mr. WILSON. That is true, and I know the whole program is being very actively worked on by the division in O. P. M. which has it under their tutelage.

The CHAIRMAN. Are there any other sources of bauxite besides Arkansas and South America?

Mr. WILSON. Yes; a great many throughout the world, but most of the others are cut off by the shipping situation.

The CHAIRMAN. That is what I mean, available to the United States at this time.

Mr. WILSON. No; the Dutch East Indies is pretty well shut off by the shipping situation; there have been some cargoes come in, but none that I know of within the last couple of months.

Mr. FULTON. Now, with respect to this bauxite that is to be used, it, of course, is low-grade bauxite; it is lower than the character and grade that you were generally using in your own operations, but which has to be used now in order to get a sufficient quantity; is not that true?

Mr. WILSON. You are speaking now of the bauxite supply of this Arkansas supply of alumina? Yes; very definitely, the reason being

that the reserves of the high-grade bauxite of the quality which heretofore has been used are very definitely limited and there is not sufficient reserves in this country to permit basing a billion-pound alumina plant on those reserves.

The CHAIRMAN. Have any successful experiments been carried out with this lower grade of bauxite so as to have any assurance that you can successfully make alumina from it?

Mr. WILSON. We have every confidence, no doubt whatsoever; yes, to answer your question, there have been enough experiments made that I speak with no hesitancy in saying that we can be perfectly assured of getting this production; insofar as there is any question, it is in regard to the economy as to cost in utilizing this lower-grade material, and we are optimistic on that point.

Mr. FULTON. Because, of course, you are using so much more material to get the same quantity of alumina?

Mr. WILSON. For example, with the high-grade bauxites you use about 2 tons of bauxite to produce 1 ton of alumina. With the grades of bauxite that we contemplate using in this Arkansas plant it runs up as high as $3\frac{1}{3}$ tons of bauxite that will have to be mined to get 1 ton of alumina, as well as having other operations on those $3\frac{1}{3}$ tons of bauxite that you don't need when it is high grade.

Mr. FULTON. And that will increase the cost?

Mr. WILSON. Increase the cost. On the other hand, we hope by basing this plant on the field and eliminating transportation that we will get something on the other side of the balance; and until these factors are all worked out in actual experience obtained, you can't say what the results will be.

Mr. FULTON. Now, I had rather wondered why it is desirable to have a billion-pound plant in a single plant when it might be that the Government would want to be operating, say, one or more of these Government-owned plants at the end of the lease period without operating all of them and might, therefore, prefer to have several smaller alumina plants and operate just one of those. Originally it is being set up in such a way that you can operate one part of it without operating another.

Mr. WILSON. You can operate this plant anywhere from 10 percent of its capacity to full capacity without any appreciable loss in efficiency, and you could build the one billion-pound plant not only much more cheaply than you could build two 500,000,000-pound plants, but you can complete the one more quickly than you can complete the two.

Mr. FULTON. But if after the war we had four or five small alumina plants it might be a lot easier to sell them to possible competitors than it would if we had one billion-pound plant, isn't that true?

Mr. WILSON. I wouldn't know. I see there is something to the point.

Mr. FULTON. For example, Olin might buy an appropriate-sized alumina plant in order to run the aluminum plant that it is about to be licensed to run?

Mr. WILSON. I thought that Olin was interested only in the kalunite process and figure they have the world pretty well under control with the kalunite process.

Mr. FULTON. Not with the size of the plant that has been given to them, because, as I understand the size of that plant it is considerably less than half big enough to supply the alumina that they need, so they have to get it from you or somebody. Now, if they had to get it from you or somebody they might be interested in buying a small alumina plant, but they wouldn't be interested in a billion-pound plant?

Mr. WILSON. Not if their kalumite process is as good as they say it is; they will expand it.

Mr. FULTON. In the meantime, they would have to get along without any alumina?

Mr. WILSON. I don't believe anybody wants that and certainly the Government, as far as the capacity is available, wouldn't shut down their own plant, would they? They would supply the alumina.

Mr. FULTON. Reynolds, for example, might be interested in buying a small alumina plant of maybe a good size of five or two hundred million pounds, but not a billion-pound plant. That is distinctly a possibility, isn't it, which is precluded by having one plant?

Mr. WILSON. Possibly; but I don't think there would be any difficulty if the Government wanted to sell this plant and didn't find buyers for a plant because of its size; they would sell the equipment out of this plant, and that equipment could be put up in whatever units were wanted. Any plant of any size making alumina consists of a multiplicity of units; each one of those units could be taken out and put somewhere else and have the capacity of the given number of those units that you purchased when moved and located in a new location.

Mr. FULTON. That is why I rather wondered why it was necessary to put them all in one spot on one piece of land instead of perhaps having them in the same area, taking the same field, but on different pieces of land so that the Government could dispose of them separately if it wanted to.

Mr. WILSON. As a matter of fact, I think that one billion-pound alumina plant will cost about \$5,000,000 less than two half-billion-pound plants; isn't that right, Mr. Jolly?

Mr. JOLLY. That is right.

Mr. WILSON. Now, the Government certainly should take advantage at this time not only of saving that money, but that money—the reason that money is saved is because it isn't necessary to buy materials which are scarce today, steel and all these other materials that go into these plants; and two plants would take, at my guess, 50 percent more operating force than one large plant would take. In other words, the drain on the labor and the supplies of this country, as well as the Government's money, would be very materially greater if you split this up into even two plants, let alone a multiplicity of smaller ones.

Mr. FULTON. Even though at the end of the time we might have one unsaleable plant instead of two saleable ones?

Mr. WILSON. They can take this difference in the money they had saved and split this up into units and sell this equipment and put that \$5,000,000 in the building of new plants and be better off; the economy of this country would be much better. There would be a net gain.

Mr. FULTON. And in any event it is to be one plant?

Mr. WILSON. That is right, that we are building for a billion pounds.

Mr. FULTON. And if we don't want to operate as one plant we can take it apart and sell the machinery?

Mr. WILSON. That is right.

Mr. FULTON. Has there been any estimate of how much it would cost to do that as compared with that \$5,000,000 estimate which you made?

Mr. WILSON. No; I know of none at least.

Mr. FULTON. What was the total cost of a billion-pound plant?

Mr. WILSON. Fifteen million dollars; we figured the half-billion-pound plant at 10 million.

Mr. JOLLY. Four hundred thousand-pound plant was 10 million and the billion-pound plant was 15 million.

PROVISIONS OF DEFENSE PLANT CORPORATION CONTRACT WITH ALCOA

Mr. FULTON. Now, coming to this item.

Mr. WILSON. I said 400,000; I meant 400,000,000.

Mr. FULTON. Coming to article 11 of the August 19 contract, signed; it relates to a profit item, saying that Alcoa agrees to pay to Defense Corporation 85 percent of the net profits.¹ Has that figure always been 85 percent? What did Alcoa first suggest?

Mr. EWING. I think we wanted 20 percent and 80.

Mr. FULTON. I think that is correct.

Mr. EWING. I think that is right.

Mr. FULTON. And in this August 19 contract it was 15 and 85. Now what was it in the modification?

Mr. EWING. Just the same.

Mr. FULTON. Just the same, despite the increased size and capacity and consequently the expected increase in profit.

Mr. EWING. The Government gets 85 percent of it.

Mr. FULTON. But there is not set up any sliding scale by reason of the size such as there was in the case of that unallocated overhead?

Mr. EWING. We are getting little enough as it is.

Mr. FULTON. How much do you estimate this little enough will be?

Mr. EWING. I don't know; you can't tell; you don't know what your power costs.

Mr. FULTON. You know what your power is going to cost you.

Mr. EWING. Yes.

Mr. FULTON. You entered into a special contract to make sure that if the power at the Bonneville project was more than 3 cents that it wasn't going to come out of Alcoa but would be paid by Defense Plant?

Mr. EWING. Wouldn't reduce our profits.

Mr. FULTON. That we paid out of the 85 percent of the profits of the Defense Plant so you took care of any uncertainty in that item which you would have to negotiate with Mr. Ickes?

Mr. EWING. That is right.

Mr. FULTON. That was in a separate side agreement, made on or about August 19?

Mr. EWING. That is right.

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284, at p. 2286.

The CHAIRMAN. I think this letter of the Secretary of Interior, dated September 2, ought to go into the record at this point.

(The letter referred to was marked "Exhibit No. 150" and is included in the appendix on p. 2810.)

Mr. FULTON. So that, irrespective of what he may ask on the amount of the price of his current, it wouldn't in any way affect the 15 percent?

Mr. WILSON. I don't believe that is quite right, Mr. Fulton. It would make a difference as long as it was less than 3 mills. It is only that the ceiling on this is at the 3-mill point.

Mr. FULTON. Who suggested the 3-mill ceiling?

Mr. WILSON. I can't answer; I don't know.

Mr. FULTON. Who fixed 3 mills?

Mr. EWING. My recollection is that that was simply a matter of negotiation.

Mr. FULTON. There are two figures, three and a half mills, which I understand is being set for the Reynolds Co., and 3 mills for the Aluminum Co. I wondered how it happened that there is a half cent different in the cost of current.

Mr. EWING. I didn't know a thing about that.

Mr. FULTON. A half cent is rather a sizable amount.

Mr. EWING. I don't know anything about that.

Mr. WILSON. What Reynolds contract would be?

Mr. FULTON. Yes, about Reynolds' power which they are to get for the plant in which they are taking all the risk in building, and I understand figures $3\frac{1}{2}$ percent.

Mr. WILSON. We of course haven't seen any such contract.

Mr. FULTON. I inquired about this specifically this morning to find out if they had been given 3-cent power and they hadn't concluded negotiations for $3\frac{1}{2}$; I wondered why you had 3 and they $3\frac{1}{2}$. You don't know anything about the reason why you should get three?

Mr. WILSON. I never heard of it before.

Mr. FULTON. Well, did someone just voluntarily offer you 3, or was that an amount you insisted on getting?

Mr. WILSON. The amount I think they thought was fair and I just don't remember anything about it. I am sure that was a point of negotiation. At least I am assuming that must have been a point of negotiation between Mr. Jones and Mr. Davis.

Mr. FULTON. Mr. Jones wouldn't be interested in protecting you in the 3-cent rate. It would have to be a request by you.

Mr. WILSON. I would certainly think so.

Mr. FULTON. So I mean the suggestion must have come from the Aluminum Co.

Mr. WILSON. I would think so; yes.

Mr. EWING. I think this, Mr. Fulton. We first had in mind trying to work this out on the basis where the Government would furnish the power and then that got too complicated and there was an alternative and how that thing was arrived at I just don't know.

Mr. FULTON. You mean it got too complicated in the sense that the Defense Plant wasn't able to furnish you that power and Mr. Ickes was taking the position he couldn't furnish you that power under this particular contract?

Mr. EWING. No; I never heard of that.

The CHAIRMAN. Whatever the rate that is agreed to with the Aluminum Co., that same rate ought to be available to the competitors of the Aluminum Co., should it not?

Mr. EWING. I should think so; we don't want anything better or worse.

Mr. WILSON. We certainly have no objection to Reynolds having a 3-cent rate or whatever it is.

Mr. FULTON. Do you have any objection to putting the 3½ cents into your contract?

Mr. WILSON. Naturally.

Mr. FULTON. If that is put in the Reynolds'?

Mr. WILSON. Three mills is what we are talking about for the rate of power which corresponds to the 3 cents in cost of aluminum. That is a top price that should be paid for power under any normal expectancy of being able to make normal cost aluminum, and that is the reason why that was set.

Mr. FULTON. He is paying more than the top price.

Mr. WILSON. Not only the Reynolds but we are paying more and we are paying more for supplemental power.

Mr. FULTON. In one area.

Mr. WILSON. Two areas.

Mr. FULTON. Well, so the 15 percent that you have here is 15 percent plus that 3 cents protection, and now it has another little plus on it, too, hasn't it, Mr. Ewing, because as I look at it here it appears under the existing August 19 contract, paragraph 11, that if there is a loss both Alcoa and the Defense Corporation take the loss, but then it is made up afterwards not for the defense Plant's loss but the Alcoa loss by applying a hundred percent of all the profits until Alcoa has made up its loss,¹ so your loss would be made up and the Defense Plant's would not, which means again that you get something more than the straight 15 percent?

Mr. EWING. Wait a minute. No, no. I don't understand that.

Mr. FULTON. Suppose the operation is at a loss; of course neither one of you get any profit and you both take your loss.

Mr. EWING. Defense Plant Corporation reimburses Alcoa, takes the loss.

Mr. FULTON. Well, it reimburses you afterwards to the extent—now in the first instance you are both taking a loss because the operation has been at a loss. Now, is it your 15 percent of that that is made up by the Defense Plant, 100 percent of the profits as they are after made, aside until it does make up the amount of that loss?

Mr. EWING. No; that is not as I understand it.

The CHAIRMAN. Let's have your interpretation of that.

Mr. EWING. This merely says take for instance your first year. Suppose you have a loss your first year.

Mr. FULTON. It started with a quotation.

Mr. EWING. Let me finish. Then you have no problem because Defense Plant Corporation would reimburse us for loss. Now the second year, suppose there are profits of \$150,000—I want to say profits of \$1,000,000. Alcoa's share of that would be \$150,000. Then we have to pay certain taxes with respect to that property. Now we will say in

¹ Exhibit No. 119, Hearings Part 7, appendix, p. 2284 at p. 2286.

the next year, third year, there is another million-dollar profit. Wait!

Mr. FULTON. There is a loss.

Mr. EWING. Say there is a loss. Now they do not have to reimburse us to the extent that we have had profits in previous years beyond what we have had to pay in taxes for those.

Mr. FULTON. That means in simple language you take the loss to the extent that you have profits which have not been eaten up by taxes?

Mr. EWING. That is right.

Mr. FULTON. And then in the next sentence it provides that if there is a subsequent profit in the fourth year, then 100 percent of that profit is applied until it pays you back for the amount of that loss?¹

Mr. EWING. Pays Defense Corporation back for their losses.

Mr. FULTON. I think if you will read that, until it pays back for your account the amount that you had suffered. Isn't that it?

Mr. EWING. But the next sentence says:²

Thereafter Defense Corporation shall be entitled to all profits resulting from the operation of such plant until such profit shall equal the amount paid by it to Alcoa to reimburse it for said loss, after which 85 percent of said profits shall again be paid.

Mr. FULTON. That is what I am complaining of, because it looks to me on this, taking your own example, in the first year 100 percent of the loss falls on Defense Plant, not on Alcoa, and it is never made up at all, so to that extent you get more than your straight 15 percent. The second year you get—

Mr. EWING (interposing). We don't get a dime out of that.

Mr. FULTON. I mean to that extent you have more than a 15-percent participation in loss or profit; you have a 15-percent participation in profit and no participation in loss.

Mr. EWING. That is right; but we can't make anything except 15 percent of profits out of this.

Mr. FULTON. I was just trying to indicate or develop the extent to which you got more than a straight 15-percent deal.

Mr. EWING. I don't think we did.

Mr. FULTON. You do, because you don't participate in any loss during that first year at all.

Mr. EWING. Or any subsequent years.

Mr. FULTON. Now, the second year you get your profit, and assuming that two-thirds of it is taken by taxes, you would have \$50,000 on your example of profit over tax.

Mr. WILSON. We wouldn't be given that if there had been a loss the first year.

Mr. FULTON. Yes, you would, wouldn't you?

Mr. WILSON. No, sir; Defense Plant retains all these profits until they have made up all the losses.

Mr. FULTON. Now, at that point they retain the profit until they make up all the loss and only make up your 15 percent.

Mr. WILSON. All the losses.

Mr. FULTON. Where is that?

Mr. WILSON (reading):

Thereafter Defense Corporation shall be entitled to all profits related to the operation of such plant until such profits shall equal the amount paid by it to Alcoa to reimburse Alcoa for said loss.

¹ Exhibit No. 119, Hearings Part 7, appendix, p. 2284 at p. 2286.

Mr. FULTON. But what did it pay to Alcoa to reimburse that loss?

Mr. WILSON. Whatever the loss was that first year.

Mr. EWING. Whatever the loss was, don't you see?

Mr. FULTON. Yes; and then in the second year you make a profit and you hold that over as your share of what you have to pay for the loss. Are you ever reimbursed for that share? Suppose you have your \$50,000 of profits and you make your loss the third year. Are you reimbursed for that \$50,000?

Mr. WILSON. No, we are not; they don't reimburse us for the loss to the extent we have netted any previous profit.

The CHAIRMAN. But as I understand it the only actual loss you are paid is the loss in the first year?

Mr. WILSON. Any year, Senator; any loss, except as we have had previous profits, and then they deduct the amount of the net previous profit before reimbursing us for any loss.

Mr. EWING. I can simplify this thing, that this is an attempt to simply treat a 5-year operation as a whole, but because of taxes if we got any share of taxes in any year we had to pay taxes on that and that is why we had to put it back on a yearly basis, but the idea of this thing is that at the end of the 5 years, whatever profits there have been will be divided and—

The CHAIRMAN (interposing). And if there is any loss the Defense Plant assumes it?

Mr. EWING. Any loss the Defense Plant assumes it.

The CHAIRMAN. That is a simple way to put it.

Mr. FULTON. Now, with respect to the sale of aluminum, is it your construction that except for the right to cancel in the event that Defense Plant establishes there is an unreasonable profit to the leased plants, there is no right of the Defense Plant to participate in fixing the prices of the finished aluminum ingot?

Mr. EWING. I think that is true. I think probably any other right would be illegal.

Mr. FULTON. They have no right except to cancel in case they find the profits unreasonably high?

Mr. EWING. That is right.

Mr. FULTON. Unless they exercise it on that ground they can't even discuss with you the question of how high the price should be for the finished aluminum ingot. That is a matter for you to determine?

Mr. EWING. I think we would always discuss it with them to the extent we properly could.

Mr. FULTON. You would discuss it, but you fix the price and they don't?

Mr. EWING. I think it has to be that way.

Mr. FULTON. Now if they start out to show that the price is unreasonably high, the Defense Plant would be starting out to lower its own income from its own investment, and it would be a little bit doubtful if they would start such a procedure until the unreasonableness had reached a stage where there could be no question about it; isn't that so, Mr. Ewing?

Mr. EWING. I would assume that it is as broad as it is long for them because our prices will be reflected in their airplane costs ultimately, and I should think they would want to keep this down to a reasonable price.

Mr. FULTON. But if they allow it to be slightly unreasonable before they begin to take action on it, the only detriment their agency would have would be that of making a very good record of return on its investment in the Defense Plant; would it not be so?

Mr. EWING. That would be true.

Mr. FULTON. And it has been true of some governmental agencies that have been desirous of having their record look well. Now when they do finally decide that the price is approaching a point where they would have to take the position that it was unreasonably high, you have a provision in here that after amortization, and I think depreciation, what figures have been set up, what bases have been agreed on to figure out those amortization schedules?

Mr. EWING. There has been none. That was a subject of discussion, and we couldn't get anywhere on it because it is a terribly complicated problem.

Mr. FULTON. Now if you couldn't get anywhere on it in your discussions before the issue arose, would it be very likely that you could get anywhere on it when the question arose as to whether the price was unreasonably high?

Mr. EWING. Surely; we were trying to get a contract made here and get these plants going and if we stopped to settle all those it would have delayed this program very much.

Mr. FULTON. What amortization did the Aluminum Co. suggest as being a fair one?

Mr. EWING. Well, I think it is actual amortization.

Mr. WILSON. I know of no such discussions so I can't answer.

Mr. EWING. I don't either.

Mr. FULTON. How could you know it was difficult if you didn't explore the possibility of determining it?

Mr. EWING. There were some discussions about it; I recall some discussions. Maybe—I am sure it was just within our own group.

Mr. FULTON. It would make a very vital difference, what basis you amortize on, wouldn't it, Mr. Ewing?

Mr. EWING. Yes.

Mr. FULTON. It would be a very vital thing to determine on what basis and there are several possible bases on which you could make arguments which would not be foolish on several different sides, isn't that true?

Mr. EWING. Sure; that is the most arguable thing in the world, almost.

Mr. FULTON. That being so, how much value does the right to cancel a contract, if you can show it on a reasonable profit, have before you could even compute the profit; you would get into a lawsuit on the question of amortization.

Mr. EWING. So what?

Mr. FULTON. So it means what looks like a control or check on the price is in fact pretty nebulous, doesn't it?

Mr. EWING. No, no; it assumes bad faith all around, trying to sabotage everything. I think that is very unfair.

Mr. FULTON. Reasonable men sitting on different sides of the table may have different ideas on amortization and you have just told me they might well have, and in order to solve that you would have to have a lawsuit.

Mr. EWING. So you want us to settle it before we made this contract?

Mr. FULTON. I think it would be a desirable thing to know what that provision means.

Mr. EWING. We could argue from now until doomsday about it but that won't get aluminum and we were trying to get aluminum.

Mr. FULTON. Neither would it get a lower price?

Mr. EWING. Which is more important?

Mr. FULTON. Neither would get a lower price if the Defense Corporation concludes that there should be one, unless it wants to go through an extended lawsuit on which you say you could put up, of course, a very good argument for a different basis of amortization, isn't that true? It might take a year to decide it.

Mr. EWING. To get a lower price?

Mr. FULTON. To get that amortization question decided if you should ever have a dispute as to what it meant.

Mr. EWING. I suppose it might; yes.

Mr. FULTON. Or several years, and can't there be some formulation of what is a proper rate of amortization?

Mr. EWING. Why isn't it better just as it is, and I think it is. Maybe you disagree with me.

Mr. FULTON. Why isn't it better to leave it so it can't be decided without a year or so of litigation? I don't see that that is better.

Mr. EWING. We have so many problems in here that we could not anticipate where we would come out. Now you have gone through them one at a time. Why didn't we settle this? Why didn't we settle that? It would have been goodness only knows when we would have finished up our contract. We tried to get something done and we set up a mechanism here to get it done, and that was our object.

Mr. FULTON. I have looked at the drafts, so far as there are any that have been supplied to me, and I haven't found there was even 5 minutes' discussion, as far as the drafts appear, of these particular points. You weren't even asked what your views were on amortization, were you?

Mr. EWING. I personally?

Mr. FULTON. Or the Aluminum Co.?

Mr. EWING. I am sure there was some discussion between Mr. Davis and Mr. Jones on that.

Mr. FULTON. Where is it? Is isn't in any paper you have got or any paper I have seen.

Mr. EWING. It wouldn't be; it was a discussion between Mr. Jones and Mr. Davis. That wouldn't be in any papers I had, of course not.

Mr. FULTON. Now with respect to reasonable profit, the same thing applies because there has been no discussion of how to fix a reasonable profit percentagewise or by any other criteria, has there?

Mr. EWING. Well, that is left absolutely to the determination of Defense Plant Corporation.

Mr. FULTON. And that is a subject which in the case of the railroads hasn't been a subject of a great deal of controversy over a period of some decades?

Mr. EWING. We specifically provided that is left to their determination and their determination is final; we can't even challenge it.

Mr. FULTON. Now if they surmount both of those obstacles and

do say it is an unreasonably high profit, their only remedy is to cancel the contract; is it not?

Mr. EWING. Yes.

Mr. FULTON. And in that event you have the right to remove any key or strategic machinery that you may have put in of your own in those plants?

Mr. EWING. That is right.

Mr. FULTON. Which might possibly render them incapable of operation for a rather extended period?

Mr. EWING. We are not putting a particle of our machinery in there.

Mr. WILSON. It is a complete plant owned by the Government.

Mr. FULTON. I take it that provision you inserted was one you put in out of an excess of caution?

Mr. EWING. That came out of the standard form of contract of Defense Plant Corporation.

Mr. FULTON. Because you see strategic material or machinery removed might render the plant inoperative.

Mr. EWING. The Government could take it; I think it has plenty of power to take it.

Mr. FULTON. After an emergency would it necessarily have any power to take it?

Mr. EWING. I don't know.

Mr. FULTON. Why not just put in the contract that any such machinery shall be valued and left there? Is the Aluminum Co. willing to put such a provision in the contract that any such machinery—

Mr. EWING (interposing). Do you know whether Mr. Jones wants it or not?

Mr. FULTON. It couldn't hurt because it is an option; if Mr. Jones says he doesn't want it why just inform us on that and we will be satisfied with that answer.

Mr. EWING. Well, Mr. Jones is perfectly able to take care of himself.

The CHAIRMAN. I always thought so until I read this first contract.

Mr. EWING. I am ready to make a contribution to anybody that ever puts it over on Mr. Jones; build a monument to that bird.

Mr. FULTON. You think he is opposed to getting an option to any machinery at its value?

Mr. EWING. I don't think anything about it. You are asking a hypothetical question there and I don't know whether he wants these provisions you suggest or not.

Mr. FULTON. Now with respect to the additional lease period here I notice in paragraph 10 you have a provision in there that immediately prior to the expiration of the terms of the lease for the respective plants each party agrees upon the request of the other to negotiate for further extension of the leases of each such plant upon fair and equitable terms.¹ Has there been any discussion beyond that of what those terms might be?

Mr. EWING. No, sir.

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284 at p. 2286.

Mr. FULTON. Was that put in for the purpose of obtaining in effect a first-chance right, that is a right to be the first one to make the offer or take over the plants?

Mr. EWING. No; that was simply put in—no one knew what the situation would be at the end of the lease period, whether the emergency would be over, whether it would be continuing; they just didn't know, and this is simply an expression of willingness to sit down and discuss with the other party what the situation is at that time and try to come to a fair arrangement.

Mr. FULTON. And in no sense represents an attempt to obtain a moral or equitable right to have the first chance to buy the plants or the first chance to take them over on equal terms?

Mr. EWING. No; that was never even thought of.

Mr. FULTON. Now, with respect to that price element, since Mr. Wilson has testified that it is going to cost more to produce the alumina because of a less desirable bauxite—

Mr. EWING (interposing). Not necessarily.

Mr. WILSON. I said it might. I said this is where the question lies.

Mr. EWING. And it might be less; you can't tell.

Mr. WILSON. Yes; it might be.

Mr. FULTON. How do you estimate it might be cheaper?

Mr. WILSON. If the additional costs of processing this lower-grade bauxite, and having to mine the greater number of tons, are not excessive, are not very high, there will be enough saving in the transportation cost of not having to move this bauxite from the bauxite field to the alumina plants that we may finish up with no higher costs; maybe slightly higher, or maybe slightly lower—we don't know until we get this plant in operation.

Mr. FULTON. Have you made any studies in this respect?

Mr. WILSON. We have made rough estimates, I would say.

Mr. FULTON. And have those estimates come out with an ability on your part to produce alumina from 3 tons of bauxite at the same price that you produce it from 2 tons in your own plants?

Mr. WILSON. We think we have a possibility; I won't say we have any assurance of it. But there, again, it will depend, Mr. Fulton, on the price that is going to be set for the bauxite.

Mr. FULTON. And you are one of the principal sellers of the proposed bauxite.

Mr. WILSON. That is right. The Government has the right to supply bauxite at any time at the price we are willing to supply it or at a lesser price.

Mr. FULTON. Have you formulated in your own minds the price you are going to ask for bauxite?

Mr. WILSON. No; we have not.

Mr. FULTON. Have you been asked for a price?

Mr. WILSON. We have had discussions with the O. P. M. on the question of what would need to be the right price in order to bring bauxite out from the other people's holdings.

Mr. FULTON. They have been asking you what price they should fix in order to bring bauxite out completely?

Mr. WILSON. No; they have not asked us what price they should fix. They have asked what our ideas were as to what bauxite could be mined for under these conditions, and on the basis of our experience as to our own cost.

Mr. FULTON. Have you given them a figure at which you state your willingness to produce this bauxite from your own mines?

Mr. WILSON. No. We have given them suggestions as to what we think the price might need to be to attract bauxite from the other people's properties.

Mr. FULTON. Haven't they asked you what you are willing to sell it for?

Mr. WILSON. They know what we are willing to sell it for.

Mr. FULTON. Then you have given them a figure?

Mr. WILSON. We have a schedule of prices today.

Mr. FULTON. Is your figure based on what you think the price ought to be to enable, say, the marginal producers of other bauxite to bring in the bauxite? Or is it based on your costs of producing the bauxite you expect to sell?

Mr. WILSON. Well, I think most of the discussion has been what price would be needed to bring out—I wouldn't say a marginal producer so much in this case because he isn't a producer yet, but would induce the owner of bauxite land to open up his property and supply the bauxite from it.

Mr. FULTON. I think you are right, that should be submarginal rather than marginal.

Mr. WILSON. He isn't a producer today, is the point I am trying to make.

Mr. FULTON. That is because his operation would be submarginal in the existing markets today. Now the price you are discussing is a price sufficiently high to bring in that submarginal production by nonproducers at this time, and what I wanted to know was whether the O. P. M. had asked you what your price would be based on your own cost of producing bauxite and your own operations irrespective of these other things.

Mr. WILSON. I think the discussions have been largely around this other point, but I haven't taken part in all of them myself and I can't answer whether there has been a more specific discussion from the standpoint of our own price. We are not particularly interested in one way or another. We will do it however they want us to do it.

Mr. FULTON. In the case of copper Mr. Nelson testified that he was very much in favor of determining a price which would be a fair price for copper for the bulk of the production, and then in order to get in that submarginal production of people who wouldn't otherwise come in, to fix perhaps a higher price which might, if applied to the whole thing, result in unreasonably high profits to the regular producers. I was directing my attention to whether the O. P. M. had discussed with you the possibilities, or at least the facts, so that they would know whether they should consider a two-price or one-price situation.

Mr. WILSON. I can't answer what may have been in their minds. From the little I know about it, I would think a two-price situation would be a very regrettable one, a very difficult one to administer and handle. How are you going to determine—

Mr. FULTON (interposing). Very difficult for you, anyhow.

Mr. WILSON. I don't think it would be difficult for us, but it puts a premium on inefficiency. There must be a dividing line. When does a man or operator qualify for the subsidy, which is what I take it is, a subsidy?

Mr. FULTON. I don't know whether you call it a subsidy to pay a man who is a submarginal producer enough to keep going or whether you call it a subsidy to pay the big company, which is able to do it at a much lower expense, what amounts to an unreasonable profit on its investment, for the purpose of having one price for it. It is a debatable question, I think, Mr. Wilson; and I know Mr. Nelson at least stated he was in favor of two prices on copper.¹

Mr. WILSON. I am sure Mr. Nelson is much better qualified than I am. I wouldn't attempt to set myself up as having any judgment against Mr. Nelson's.

Mr. FULTON. I just wondered if they applied the same thing to aluminum to the extent at least of asking you to submit figures which were more than just your idea of what the smaller producers in Arkansas would have to get, and which went into the fact of how much you, yourself, could produce this for, giving you one of these reasonable profits that we were discussing at an earlier time.

Mr. WILSON. I just don't believe I can answer that. I don't know whether their questioning of us has been with that in view or not. I just don't know.

Mr. FULTON. Have you discussed your costs of producing bauxite in the proposed mines you are going to be using?

Mr. WILSON. The matter of anticipated costs has been a matter of discussion, yes.

Mr. FULTON. Have they got figures from you?

Mr. WILSON. Yes; they have got some figures from us.

Mr. FULTON. Which are cost figures of your operation?

Mr. WILSON. I would say they are more anticipated costs of the operation that would underlie this plant.

The CHAIRMAN. Would it cost more per ton to mine this lower-grade bauxite than it does the high grade?

Mr. WILSON. No; I think it ought to cost a little less, merely because the lower-grade bauxite is apt to lie in a little larger bodies, so that once it is opened up for a mining operation you will probably have a little larger ore body to work on.

The CHAIRMAN. So, ton for ton, it probably won't cost as much to mine the lower grade as the other, but on account of the larger bulk that will be required it will probably cost more to make the aluminum.

Mr. WILSON. Yes; but when I say it might not cost quite as much to mine the lower-grade bauxite, I don't think it is any large factor, any great difference between the costs.

Mr. FULTON. It is very important, because, of course, in the first place, determination of those factors is necessary in order to enable small miners, who perhaps need bank credit, to get their mines open in time to be used.

Mr. WILSON. I know that the Bauxite Division in O. P. M. have given consideration to that phase of the matter, and I think have attempted to work out in their own minds—I doubt if it has gotten any further than that—a scheme under which they could advance money for the

¹ Supra, pp. 2435 and 2449.

purpose of opening up bauxite properties, and then be repaid for that advance on a per-ton basis when the bauxite is actually mined. Now, that is necessary for a bauxite owner or operator of limited means, because the first thing he must do is to go onto this property and strip off of the bauxite the overburden of nonbauxitic material which may run 20 or 30 feet. A great many thousands and hundreds of thousands of yards of material have to be moved before he can find a single ton of bauxite.

Mr. FULTON. He may have to get machinery.

Mr. WILSON. It does require a considerable amount of capital before he can begin to get any amount of income, and they are afraid, of course, if they put several thousand dollars into stripping of the property, and the emergency ceased, they would have no reasonable possibility of recouping it.

The CHAIRMAN. They would be in much the same fix as the old-time railroad contractor who did the rock work first and then had the contract canceled on him.

Mr. WILSON. Much the same.

Mr. FULTON. In any event, the Aluminum Co. is willing to discuss with O. P. M., or anybody else, the prices to be charged for bauxite?

Mr. WILSON. Yes, indeed, and has done it.

Mr. FULTON. And if those prices were too high it would in effect reflect a higher price of finished aluminum ingot, making the profit feature one where, if the price was not sufficiently high to result in an unreasonable profit on the operation of the leased plants, it still might provide a very large "umbrella" to the Aluminum Co. on the profits on its own production from its own plants, which would be at a lesser rate; isn't that true, Mr. Wilson?

Mr. WILSON. Well, naturally, anything that increases the prices is going to decrease the profits or operate to hold up the price of the finished product into which the cost of that material has entered.

Mr. FULTON. And it is very clear that this whole question of the leased-plant operation is a special situation with difficulties that relate to the defense program, namely, using lower-grade bauxite and having many other problems that might increase cost; isn't that true?

Mr. WILSON. That is true, and I think possibly you realize this point. I didn't mention it. Low-grade bauxite of itself is not a specific material. Bauxite is very varying as to its content of alumina and as to its content of silica, which is a determining factor in the cost of its utilization, so that any pricing of bauxite will be, and should be, a sliding scale; it is a scale of prices that we are talking about which will be a sliding scale depending upon the two factors, the alumina content and the silica content.

Mr. FULTON. Just like in crude oil, you have to have the exact description of it before you can fit the price to that product. I wasn't suggesting so many cents a ton or anything like that, but you do need certainty, and the point I was trying to raise was simply this, that since you have those factors of probable increased cost in this defense operation, and since you have to build plants with labor during wartime situations, with rates that are rather high, it can reasonably be expected that if the price of the finished aluminum ingot is sufficiently high to make a reasonable profit on this leased-plant operation, it will mean that there will be a profit which to some extent would be unrea-

sonable on the production of the Aluminum Co. in its own plants, because that production is cheaper. Isn't that true?

Mr. WILSON. It may be cheaper, and it may not be. We, today, as I think your committee knows, are paying to maintain the operation of our own plants in some instances a great deal more for power than we get for the pound of aluminum that is produced.

Mr. FULTON. You have a few stand-by plants, but what does the average run for your power for the whole Aluminum Co.? What are you paying?

Mr. WILSON. I don't know today; with that high-priced power averaged in, I don't know what it is.

Mr. FULTON. Is it in excess of 3 cents a pound or 3 mills per kilowatt?

Mr. WILSON. I would think not. I hope not.

Mr. FULTON. So that the high-priced power that you refer to, running as high as 15 cents or more, is, when averaged in with your entire amount, so negligible in quantity as not to raise your average above 3 cents.

Mr. WILSON. Yes; that may be true, and it is true, but it doesn't alter the fact that to maintain the production we are going out and spending in dollars and cents more for a portion of that production than we obtain for it when we sell it, no matter whether it is a small quantity or large quantity.

Mr. FULTON. I make the point that it is an infinitesimal proportion.

Mr. WILSON. It is far from infinitesimal. Our power bills to T. V. A. are running \$1,000,000 a month.

Mr. FULTON. What is your entire power bill?

Mr. WILSON. I don't have that in mind.

Mr. FULTON. Why do you have this one item and not the other?

Mr. WILSON. I don't get the question.

Mr. FULTON. You do have the item where it costs you a little more than the average but you don't know your general average cost.

Mr. WILSON. I don't know. I don't know what our own power costs. You can cost it on any basis you want. As long as we don't have bond issues out on hydroelectric power projects, you don't develop a cost for that that is applicable specifically to that power generation. That is the only reason I can't answer your question.

Mr. FULTON. The point I was coming to is simply this, that to all intents and purposes it would be a very unusual thing if the cost of producing aluminum under the difficulties we will have in the Government plants should be less than the cost of producing aluminum in the Aluminum Co.'s plants. You do not take the position that it would be equal to or more?

Mr. WILSON. Yes; I think we are producing some aluminum that is going to cost more than in these Government plants.

Mr. FULTON. Taking Alcoa's average cost, do you expect Alcoa to pay more in its own plants, using this high-grade bauxite that you have, than it is going to cost the Defense Plant Corporation's plants, using the low-grade bauxite and being built at this time with high wages and high costs?

Mr. WILSON. Well, it all depends; as far as the profits or the determination of costs in these Government-owned plants which we are to operate, the investment in the plant is not an item of cost in deter-

mining whether there are profits or not. That is an investment that the Defense Plant Corporation will have made, and we don't take—

Mr. FULTON (interposing). I thought you had amortization in there, in that very provision.

Mr. WILSON. The question arises as to whether there are unreasonable profits, but in the determination of the profits there is no such figure entered as an item of cost.

Mr. FULTON. Oh, I see; in figuring your 15 percent you don't figure anything for capital cost.

Mr. WILSON. Of course not.

Mr. EWING. That is what they get their 85 percent for.

Mr. WILSON. They get the 85 percent. If there is any profit, if there is any return on the investment—and whether there will turn out to be 5-percent return or 15 percent, time will be the only thing that will tell.

Mr. FULTON. And you get your 15 percent for the privilege of allowing them to hire your men and pay them their salaries, plus this unallocated overhead item you have in there; is that it?

Mr. WILSON. We get our 15 percent, which may or may not be a cent, merely as a fee, if you want to call it that, however you may want to term it, for having designed—

Mr. FULTON (interposing). At their expense.

Mr. WILSON. Yes; but at no profit to us.

Mr. FULTON. Except that comes in in that item that is to be agreed upon under paragraph 4.¹

Mr. WILSON. And giving them the know-how, putting in these plants the know-how accumulated over 50 years, the trained personnel to operate these plants, the trained administrative forces to back these plants up, and for it all we say when it is all said and done at the end of the lease period, if there have been profits you pay us 15 percent for having performed all those functions.

Mr. FULTON. But in performing those functions the Defense Plant pays those salaries of all those people you just listed, does it not?

Mr. WILSON. Of course. That is clear.

Mr. FULTON. In addition it pays that unallocated overhead.

Mr. WILSON. That is an expense.

Mr. FULTON. It is not an expense.

Mr. WILSON. Of course it is an expense.

Mr. FULTON. It is not an expense unless there is an actual overhead.

Mr. WILSON. There is an actual overhead. How can you run a business without actual overhead? Can you conceive of running a business without having an overhead?

Mr. FULTON. Certainly I can.

The CHAIRMAN. It appears to me the Government is paying the overhead and the unallocated overhead is your profit, and I can't see it any other way.

Mr. EWING. That isn't right.

The CHAIRMAN. That is the conclusion I am bound to come to.

Mr. EWING. I think you are wrong in that.

The CHAIRMAN. I don't believe I am.

¹ Exhibit No. 119, Hearings Part 7, appendix p. 2284 at p. 2285.

Mr. EWING. Your overheads are just as much expense as payments for coal or anything else.

The CHAIRMAN. If there is anything you want to add to this hearing that will be for the information and benefit of the United States Senate and this committee, you have that privilege of doing so. I am going to call the hearing to a conclusion this evening and the committee will meet on the call of the chairman.

Mr. EWING. I don't think there is anything, Senator.

The CHAIRMAN. All right. Thank you. The committee is recessed.

(Whereupon, at 4:10 p. m., the committee adjourned, subject to the call of the chairman.)

APPENDIX

EXHIBIT No. 122

[Hold for release]

SEPTEMBER 4, 1941.

The following statement and the Executive Order accompanying it are for lease in papers appearing on the street not earlier than 8:00 P. M., E. S. T., September 4, 1941.

The same restriction applies to its use over the radio.

STEPHEN EARLY,
Secretary to the President.

The President today, after conferring with Under Secretary of War Patterson, Under Secretary of the Navy Forrestal, Mr. William S. Knudsen and Mr. Sidney Hillman, acting as the Council of the OPM, and with Rear Admiral Emory S. Land, Chairman of the United States Maritime Commission, issued an Executive Order establishing a new division in the Office of Production Management.

This division is to be known as the Division of Contract Distribution and is to be coordinate with the existing divisions—Procurement, Production, Priorities, Labor and Civilian Supply.

Floyd B. Odum, of New York, has been appointed Director of the new division.

The conference was held and the Executive Order was issued in furtherance of a determined move on the part of the Administration to help the smaller business units of the country obtain a fair share of the defense orders, and to prevent so far as possible, dislocation of industry and unemployment of workers in plants where production has been curtailed by priorities and material shortages.

The program devised was arrived at in consultation with representatives of the Army, Navy, Maritime Commission, and OPM and has the full support of these agencies.

The Labor Division and the Defense Contract Service of OPM have already done a great deal in starting the machinery of sub-contracting and in retaining and obtaining reemployment for discharged workers. The program is now to be greatly expanded throughout each part of the United States, as one of the most important functions of OPM. The present personnel, records, etc., of the Defense Contract Service of OPM will be transferred to this new division.

Through this Division, the Office of Production Management will be enabled more effectively to adjust the dislocations and alleviate unemployment resulting from priorities and material shortages, and bring about maximum use of the nation's factories and industrial plants, especially the smaller ones throughout the nation. This will be done through four major steps:

1. The breaking down of large orders of supplies into smaller units, and spreading the purchases among more firms and in all localities possible.
2. Providing assistance through the Labor Division of OPM in retaining and obtaining reemployment for workers who are unemployed as a result of the shutting down of some plants or reduction of their output.
3. The effective distribution of defense contracts to the smaller business enterprises, as yet largely unused, through an expanded use of sub-contracting, contract distribution, and the pooling of plant facilities.
4. By providing a staff of industrial and production engineers to formulate and execute specific plans for the conversion of non-defense industries and plants to defense production.

The Division of Contract Distribution will have branch offices located in the various States.

The Division will formulate and promote plans and programs for the purchase of supplies for the Army and Navy in smaller units, but among a greater number of firms and in as many different localities as possible. It will also formulate and develop programs for the conversion of plants and industries from civilian to defense production—with the assistance of the government wherever necessary. It will formulate the organization and use of local industrial defense production

associations, and will promote and stimulate farming out of defense work and sub-contracting, wherever feasible.

The Division of Contract Distribution will provide an industrial engineering staff whose responsibility it will be to obtain the maximum use of existing facilities and tools by assisting manufacturers and business enterprises in making the necessary changes in their tools and equipment for effective use in defense production.

The field offices of the Division of Contract Distribution will be adequately staffed to render needed assistance to businessmen. Procurement agencies of the Government will assign representatives to the main office and field offices, as required, for purposes of liaison.

In the various cities will be established exhibits or "market places" where there will be displayed specific parts—"bits and pieces"—the components needed for defense production. These may be parts of a machine gun or an airplane or tank, or any one of a thousand other items which are needed. These "bits and pieces" will be labeled as to the quantities needed and the machine tools and operations required for their production so that any machine shop owner or manufacturer can determine whether his facilities are capable of producing such items.

Sub-contracting arrangements can then be entered into on the basis of what an individual sees he is capable of doing, receiving then and there the expert industrial and engineering judgment of those whose assistance he may desire.

The Division of Contract Distribution will also provide through the regular commercial banking channels, the Reconstruction Finance Corporation, including the Defense Supplies Corporation and the Defense Plant Corporation, and the Federal Reserve Banks and their branches, the necessary financing facilities for local industrial production associations, prime contractors and subcontractors, and will recommend whenever necessary such additional financial procedures and machinery as may be required to obtain the maximum utilization of existing plant and tool facilities for defense purposes.

The Director of the Division is to appoint two advisory committees, one to consist of representatives of small business organizations; the other, to consist of industrial, management and production engineers.

It is intended, on the one hand, to face the responsibility of alleviating the hardships which have resulted from the defense program and, on the other, to marshal our productive capacities to the objective that no plant or tool which can be used for defense shall be allowed to remain idle.

The text of the Executive Order follows:

EXECUTIVE ORDER

ESTABLISHING THE DIVISION OF CONTRACT DISTRIBUTION IN THE OFFICE OF PRODUCTION MANAGEMENT AND DEFINING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution and the statutes of the United States, and in order to define further the functions and duties of the Office of Production Management with respect to the unlimited national emergency as declared by the President on May 27, 1941, and to provide for the more effective utilization of existing plant facilities for defense purposes; the conversion into defense production of civilian industries affected by priorities and raw material shortages; the alleviation of unemployment caused by the effects of such priorities and shortages; the local pooling of facilities and equipment; subcontracting; and the wider diffusion of defense contracts among the smaller business enterprises in every part of the nation, it is hereby ordered as follows:

1. There shall be within the Office of Production Management a Division of Contract Distribution at the head of which shall be a Director appointed by the Office of Production Management with the approval of the President. The Director shall discharge and perform the following responsibilities and duties under the direction and supervision of the Director General acting in association with the Associate Director General:

(a) Formulate and promote specific programs for the purchase of supplies for the Army and Navy in smaller units but among a greater number of firms and in as many different localities as possible.

(b) Formulate and promote modifications in federal procurement practices and procedures relating to negotiating contracts, bidding practice, performance and bid bonds, and other practices and procedures, to the end that there shall be a wider distribution of defense contracts and purchases.

(c) Develop programs for the conversion of plants and industries from civilian to defense production, with the assistance of the government if necessary.

(d) Stimulate the organization and use of local industrial defense production associations.

(e) Promote and stimulate subcontracting wherever feasible.

(f) In order to obtain maximum use of existing productive facilities and tools, advise manufacturers and business enterprises the specific ways in which their facilities and tools may be utilized in defense production; advise such manufacturers and businessmen with respect to the procedures and practices of the several federal procurement agencies.

(g) Facilitate through the regular commercial banking channels, the Reconstruction Finance Corporation, and the Federal Reserve Banks and their branches, the necessary financing facilities for prime contractors, subcontractors, and local industrial defense production associations, and recommend from time to time to the Director General and Associate Director General such additional financial procedures or machinery as shall be required to ensure maximum utilization of existing plant and tool facilities for defense purposes.

(h) Provide engineering and technical assistance to such prime contractors, subcontractors, and local industrial defense production associations as may require such assistance in order to participate in defense production.

(i) Perform such other duties and responsibilities as the Office of Production Management may from time to time determine.

2. To ensure unity of policy and coordinated consideration of all relevant factors involved in the formulation and execution of industry conversion programs, and contract distribution and subcontracting procedures, all such programs or procedures shall clear through the Division of Contracts Distribution.

3. To aid the Director in carrying out the aforesaid responsibilities, there shall be assigned to the Division one or more officers of the Departments of War and Navy, respectively, and one or more representatives of the Maritime Commission, whose duty shall be to assist as liaison in the speedy and successful carrying out of the aforesaid program.

4. There shall be in the Division of Contract Distribution two Advisory Committees consisting of representatives to be designated by the Director of the Division with the approval of the Office of Production Management. One shall be representative of small business organizations; and the other of industrial, management, and production engineers. The Committees shall, from time to time, upon request by the Director, make findings and submit recommendations to the Director with respect to procurement practices and procedures; contract placements and distribution; industry conversion problems; formation of local production associations; subcontracting; and for such other matters as the Director may require advice and assistance.

5. Within the limits of such funds as may be made available to the Division of Contract Distribution, the Director may appoint industrial and production engineers, economists, statisticians, and such technical and other personnel as he shall deem necessary to carry out the duties assigned to the Division herein.

6. The Director may establish branch offices throughout the United States and its territories to carry out his duties. There shall be assigned to such branch offices such officer personnel or other representatives of the Army, Navy, United States Maritime Commission and other federal procurement agencies as may be required by the Director for liaison purposes.

7. There shall be assigned to the main office and to each field office of the Division a representative of the Labor Division of the Office of Production Management to cooperate with such officers in the Labor Division's efforts toward reemployment of employees of plants whose production has been curtailed by priorities and material shortages.

8. In the execution of the foregoing duties, the Director of the Division of Contract Distribution shall consult and collaborate with the War Department, the Navy Department, the United States Maritime Commission, and other government procurement agencies, which are hereby directed to cooperate with and establish close liaison with such Division to accomplish the purposes of this order.

9. The Defense Contract Service, established pursuant to Regulation No. 9, July 29, 1941, of the Office of Production Management, is hereby abolished. The duties and responsibilities of said Defense Contract Service are hereby assigned to the Division of Contract Distribution. All records, files, and equipment of the Defense Contract Service shall be transferred to the Division of Contract Distribution.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE, September 4, 1941.

EXHIBIT No. 123

OFFICE OF PRODUCTION MANAGEMENT,
SOCIAL SECURITY BUILDING,
Washington, D. C., October 21, 1941.

HON. HARRY S. TRUMAN,
United States Senate, Washington, D. C.

MY DEAR SENATOR: In accordance with my promise during the course of the hearings of your committee this morning, I am glad to list below the locations of the existing field offices of this Division together with the tentatively decided locations of thirty additional offices:

Existing Offices as of October 20, 1941

Albany, N. Y.	Minneapolis, Minn.
Atlanta, Georgia	Nashville, Tennessee
Baltimore, Maryland	Newark, New Jersey
Birmingham, Alabama	New Orleans, La.
Boston, Mass.	New York City
Buffalo, New York	Oklahoma City, Okla.
Charlotte, N. C.	Omaha, Nebraska
Chicago, Illinois	Philadelphia, Pa.
Cincinnati, Ohio	Pittsburgh, Pa.
Cleveland, Ohio	Portland, Maine
Columbus, Ohio	Portland, Oregon
Dallas, Texas	Providence, R. I.
Dayton, Ohio	Richmond, Virginia
Denver, Colorado	Rochester, New York
Des Moines, Iowa	Salt Lake City, Utah
Detroit, Michigan	San Antonio, Texas
El Paso, Texas	San Francisco, Calif.
Helena, Montana	St. Louis, Missouri
Hartford, Conn.	Seattle, Washington
Houston, Texas	Spokane, Wash.
Indianapolis, Ind.	Springfield, Ill.
Jacksonville, Fla.	Springfield, Mass.
Kansas City, Mo.	Syracuse, New York
Little Rock, Ark.	Youngstown, Ohio
Los Angeles, Calif.	Wheeling, W. Va.
Louisville, Kentucky	Wichita, Kansas
Memphis, Tennessee	Worcester, Mass.
Milwaukee, Wisconsin	

Proposed Tentative Locations of Thirty Additional Offices

Bridgeport, Conn.	Flint, Mich.
Waterbury, Conn.	Grand Rapids, Mich.
New Haven, Conn.	Toledo, O.
Lawrence, Mass.	Akron, O.
Manchester, N. H.	Racine, Wis.
Pawtucket, R. I.	Waterloo, Ia.
Camden, N. J.	Wilmington, Del.
Paterson-Passaic, N. J.	Tampa, Fla.
Jersey City, N. J.	Cumberland, Md.
Allentown (or Bethlehem) Pa.	Greensboro, N. C.
Reading, Pa.	Norfolk, Va.
Rockford, Ill.	Huntington, W. Va.
Peoria, Ill.	Chattanooga, Tenn.
South Bend, Ind.	Fort Worth, Tex.
Evansville, Ind.	Utica, N. Y.

I find there is one omission on the photostatic copy of the map which I left with the committee, i. e., no office is shown on the map, as it should be, at Wichita, Kansas.

Sincerely yours,

FLOYD B. ODLUM,
Director, Division of Contract Distribution.

[Submitted by Floyd B. Odium, Director of Division of Contract Distribution, Office of
Production Management]

EXHIBIT No. 124

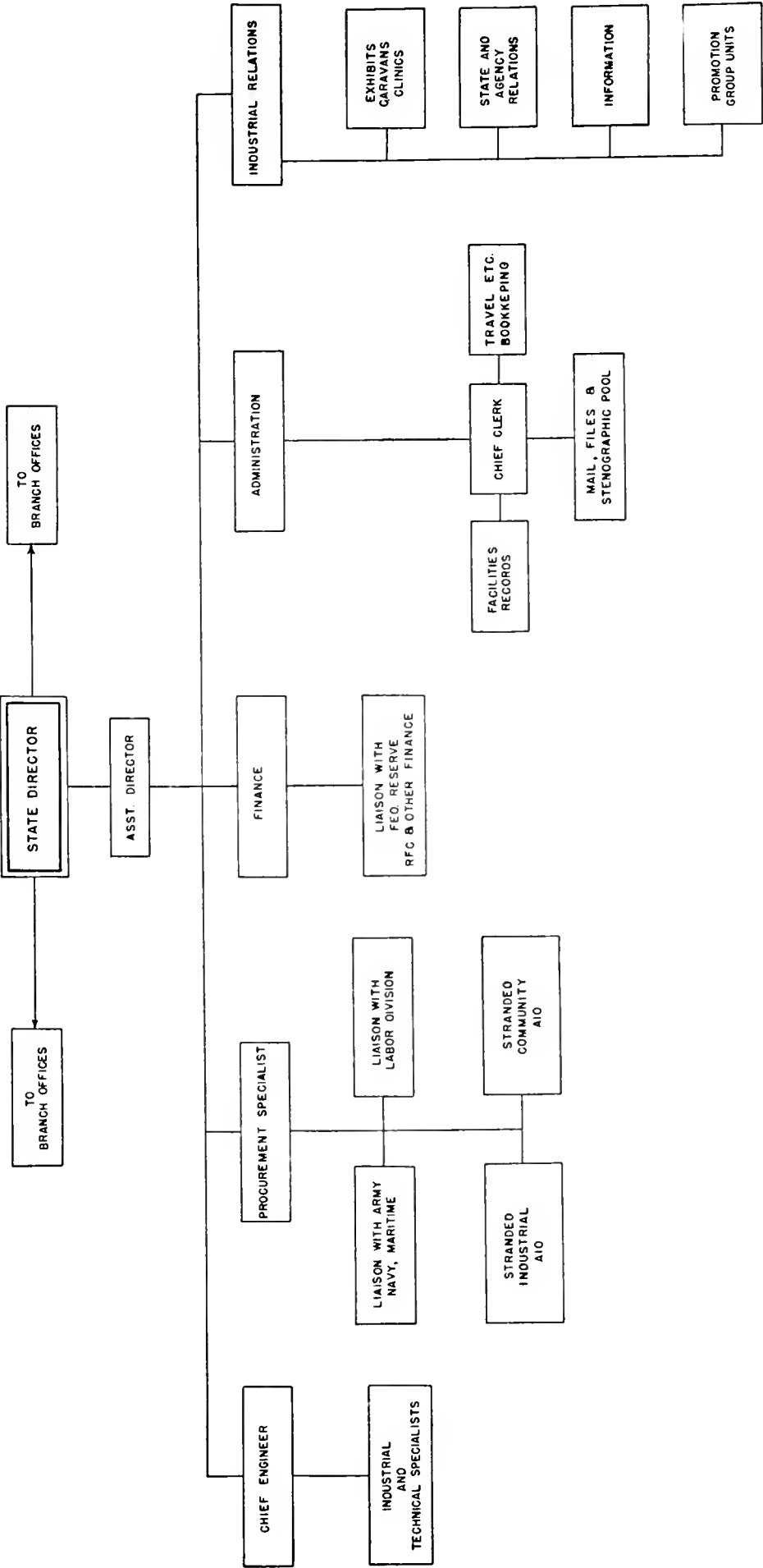


EXHIBIT No. 126

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
Washington, D. C., July 16, 1941.

Mr. SIDNEY HILLMAN,
*Associate Director General,
 Office of Production Management, Washington, D. C.*

DEAR SIR: I note on page 13 of the July 16th issue of the "NEW YORK TIMES", a statement purported to have been made by you, regarding your conference with representatives of the Building Trades Department of the American Federation of Labor and Government officials in an effort to establish a stabilization program in the construction industry. A quotation from the news story in the "TIMES" is as follows:

"The OPM ignored the CIO's United Construction Workers Organizing Committee . . . in setting up the standards for building trades workers on government jobs. Mr. Hillman, himself the leader of a CIO union, said that he regarded the A. F. of L. building trade unions as 'predominant' in their field and they alone had been asked to participate in the conference for this reason."

I am enclosing herewith a copy of a resolution adopted at the last meeting of the Executive Board of the Congress of Industrial Organizations, with which resolution I presume you are familiar, and for which representatives of the Amalgamated Clothing Workers, who are members of this Board, voted.

I would appreciate an explanation as to the cause of this discrimination against the members of the United Construction Workers Organizing Committee by yourself in your effort to introduce into the construction industry a stabilization program, and why you ignore the viewpoint of a large number of workers employed in the construction industry throughout the United States.

Various representatives of the U. C. W. O. C. and of the C. I. O. have advised me that a stabilization plan had been worked out in conferences between yourself and representatives of the Building Trades Department of the A. F. of L. but, apparently, great secrecy surrounds this agreement. It would seem to be contrary to accepted methods of conducting public business for Government officials to make secret agreements which will affect the lives and livelihood of thousands of workers in the construction industry without their having had a voice in the determination of their future well-being.

It is my understanding that the laws, as they are now written, which govern the letting of Federal contracts, are sufficient to guarantee Justice to all parties of interest, and I, personally, and as the spokesman for the U. C. W. O. C., fail to see the necessity of adding to or of taking from, either by agreement or by Executive order, conditions and practices which have existed for many years.

May I request whether or not the statements attributed to you in the "NEW YORK TIMES" story above-referred to are true? If they are true, why do you ignore the rights of the Congress of Industrial Organizations in attempting to effectuate this scheme of stabilization which you are promoting?

Yours very truly,

A. D. LEWIS, *Chairman.*

EXHIBIT No. 127

[Copy]

AUGUST 1, 1941.

Mr. A. D. LEWIS,
*Chairman, United Construction Workers Organizing Committee,
 15th and I Streets, N. W., Washington, D. C.*

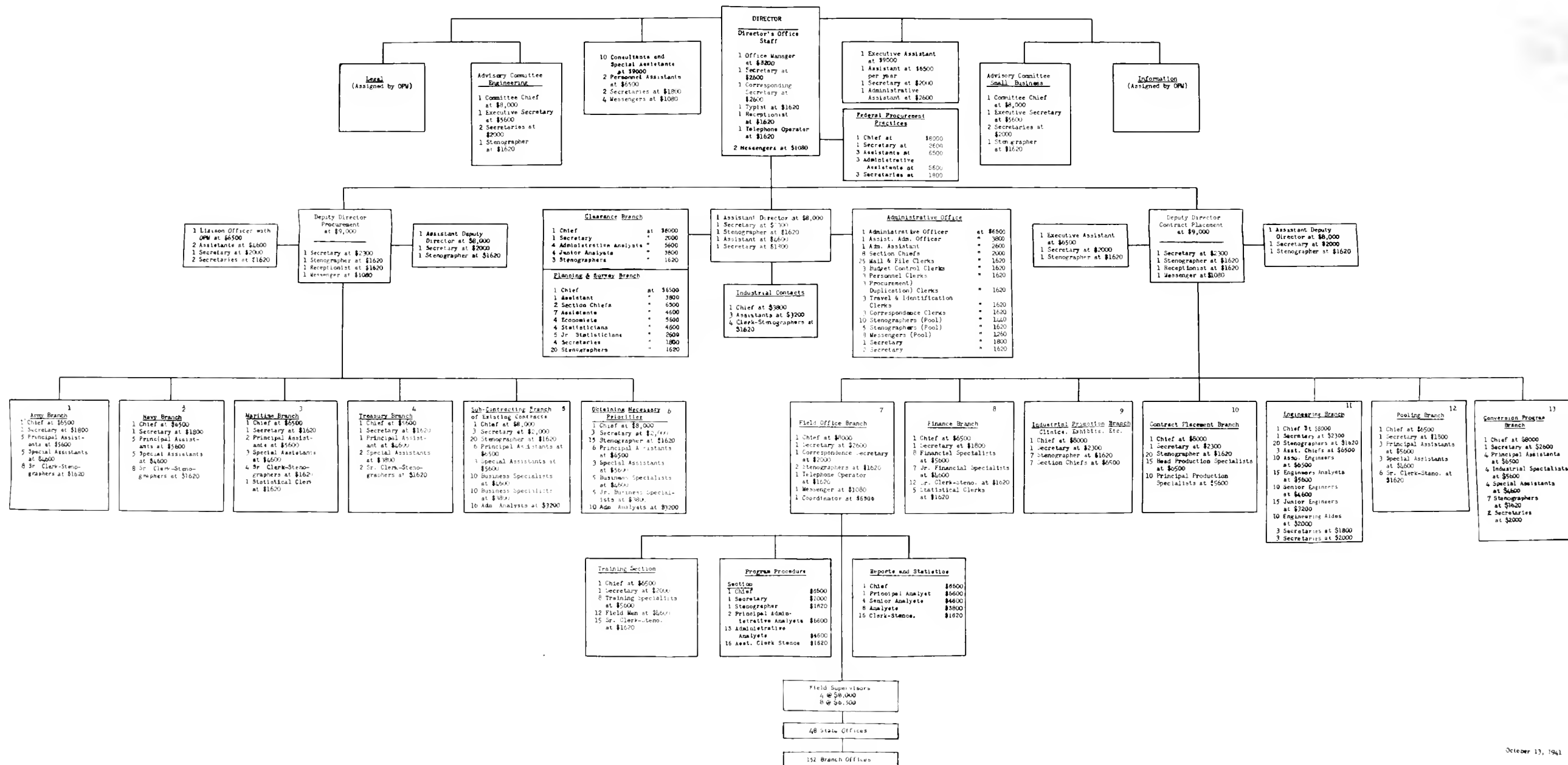
DEAR Mr. LEWIS: This is to acknowledge your letter of July 16, regarding the stabilization agreement entered into with the government agencies engaged in construction work. A copy of this agreement is enclosed for your information. It became available the moment the negotiations were finally concluded.

The stabilization agreement should prove to be of inestimable value to labor, industry, and government. In addition, it should be a noteworthy contribution to defense and industrial peace. It was arrived at in a manner deemed most conducive to the attainment of the aforesaid ends sought to be achieved by this stabilization agreement. As such, it merits the approval of all those genuinely interested in the objectives of the gigantic defense effort upon which our country is engaged in this most critical period.

Sincerely yours,

(Signed) SIDNEY HILLMAN.

EXHIBIT No. 125
OFFICE OF PRODUCTION MANAGEMENT
DIVISION OF CONTRACT DISTRIBUTION



October 13, 1941

EXHIBIT No. 128

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
Washington, D. C., July 18, 1941.

To All C. I. O. Regional Directors, Local and State Industrial Union Councils and
Executive Officers of C. I. O. Unions, Greetings:

Attached is a copy of a letter I have addressed to Mr. Sidney Hillman concerning a so-called stabilization agreement in the construction industry. The agreement has been shrouded in secrecy for the past two weeks and what little information this office has been able to receive concerning the agreement has been through the public press.

Press reports lead us to believe that the agreement is a closed-shop one between the Building Trades Department of the American Federation of Labor and the United States Government on all public construction under the National Defense Act. If the agreement is, as the press leads us to believe, a closed-shop arrangement between the Building Trades Department of the A. F. of L. and the U. S. Government, it is a complete endorsement by the Government of all the reprehensible acts introduced into the construction industry, which have been so widely publicized by the public press.

I am sending this letter to you in order that the methods used in the consummation of this proposed agreement will be given the widest publicity throughout the ranks of the Congress of Industrial Organizations.

Fraternally yours,

A. D. LEWIS, *Chairman.*

EXHIBIT No. 129

[Copy of decision of O. P. M. Board of Review, submitted by A. D. Lewis, chairman of United Construction Workers Organizing Committee]

AGREEMENT

As a result of deliberation by U. S. Dept. of Labor and O. P. M. representatives, Messrs. John E. Addicks, James P. Meehan and R. Conrad Cooper, suggestion was made to solve existing problems at the Martins Ferry Division of Blaw Knox Company; which threatens suspension of work on this vital defense project, in the following manner:—

1. Blaw Knox Co. will, within five days, suspend work by its employees on all parts of the project defined as "New Construction".

2. Blaw Knox Co. will continue to do its maintenance and production work with its own employees, known as production and maintenance workers.

3. Blaw Knox Co. will, as promptly as possible, sub-contract this so-called "new construction" work, such subcontracts to specify Union Labor in accordance with the National Agreement. Memorandum of Agreement between the representatives of Government Agencies, engaged in Defense Construction and the Building and Construction Trades Department of the American Federation of Labor.

4. The so-called "new construction work" will be defined as follows:—

(a) *Iron workers.*—1. The handling, unclading, and placing machinery; cyclone fence; the setting of re-inforced steel, and all sheeting; and the re-placing of all types of structural steel members shall be the work of the ironworkers, and the re-fabrication of electric cranes.

2. The burning down and scrapping of all steel on the lean-to of the main building, shall be waived by the iron workers.

(b) *Carpenter Workers.*—All foremen for concrete work to be stopped. This work is to be let out by contract. Linoleum laying shall be considered as new construction work and is to be let out to a Union Contractor. All Millwright work and setting of new machinery shall be the work of the Brotherhood of Carpenter Union.

The carpenter concedes to one carpenter being used on maintenance work, or two (2) men if absolutely necessary.

All carpenter work on construction will be done by members of the Brotherhood Carpenters and Joiners of America of the Wheeling Building Trades Council.

(c) *Electrical Workers.*—The installation of all conduit, wiring, motor and electrical equipment shall be done by members of the International Brotherhood of Electrical Workers. Motors and other electrical equipment, after being placed in operation will be operated and maintained by the Blaw Knox crew. Old meters and switches to be repaired will be repaired by the Blaw Knox Maintenance crew.

(d) *Truck drivers*.—All deliveries to be made to and from plant shall be done by A. F. of L. drivers. Company has one truck of their own. It does not operate outside the ground. This is waived by the truck driver.

(e) *Asbestos Workers*.—All asbestos work, pipe covering, etc., shall be sub-let to a Union firm.

(f) *Bricklayers*.—All new brick work to be done by members of the B. M. P. I. U.

(g) *Roof Workers*.—All built-up and composition roofing to be done by members of the Roofers' Union.

(h) *Engineers*.—All engineering be handled by the Union Contractors. The sub-contractors will employ members of the Hoisting and Operating Engineers Union. There shall be an iron worker to give signals on cranes. The overhead cranes now operating, turned over to the Blaw Knox Company for operation, shall be manned by skilled Blaw Knox crane-men.

(i) *Painters*.—All painting work to be sub-contracted to a firm employing members of the Brotherhood Painters and Decorators Union A. F. of L.

(j) *Plumbing, Steam and Gas Fitting Local #83*.—All this work to be sub-let to a firm employing members of the United Association Plumbers and fitters A. F. of L.

(k) *Boilermakers*.—To sub-let re-tubing boilers to a firm employing members of the Boiler Union of the A. F. of L.

(l) *Cement Finishers*.—All cement work to be done by members of the Local Cement Workers Union.

(m) *Laborers*.—The minimum rate for Laborers to be paid on all work contracted for, will be 72½ cents per hour. All laborers employed by sub-contractors shall be members of the International Brotherhood of Hod Carriers and Building and Common Laborers Union of the A. F. of L.

5. As soon as each part of the so-called "new construction" is completed by the sub-contractors, such buildings, machines, etc., will be turned over to Blaw Knox Company, to be maintained and operated by employees of the Blaw Knox Company.

The above suggestions were found acceptable to all representatives and accepted as a fair basis on which to receive the problem.

Additional representatives present were as follows—

For the Blaw Knox Company:

Mr. L. E. Joseph, Vice-President.
Mr. N. B. Ornitz, Vice-President.
Mr. L. C. Edgar, Genl-Superintendent

For the Building and Construction Trades Council of Wheeling and Vicinity:
Lawrence Witzberger, President, also representing the plumbers and steam fitters.

Ralph Watson, Vice-President, also representing carpenters.
Patrick O'Malley, Regional Structural Iron Workers.
S. S. Gould, Representing Electrical Workers
N. R. Plumby, Representing Cement Finishers
Ross Keffer, Representing the Painters
Jos. Larey, Representing the Teamsters

EXHIBIT No. 130

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE, Washington, D. C., October 13, 1941.

To CIO State and Local Industrial Union Councils.

CIO Regional Directors.

CIO National and International Unions.

GREETINGS: The Truman Committee of the United States Senate has called upon Sidney Hillman, Associate Director of the OPM, for a formal statement as to whether the government is unduly favoring the AFL as a matter of national policy. This committee was impelled to this action by the sensational revelations of OPM favoritism toward the AFL Building Trades in the circumstances that surround a housing project at Wayne, Michigan. The answer by Hillman to this

question is of vital concern to the whole CIO and for that reason I am writing to acquaint you with the facts of this matter.

It must be recognized at the outset that if the policy of the government is to be on the same discriminatory basis as in the Wayne project, then the freedom of choice between unions guaranteed by the National Labor Relations Act is effectively repealed. The undisputed facts in this episode reveal a government policy that reminds one of systems of forced labor practiced in the Fascist-dominated nations of Europe. In these days of total defense, when private construction is being inevitably paralyzed, to tell a man that he cannot work on a government project unless he belongs to the A. F. of L. is equivalent of saying to him that he must pay tribute to the A. F. of L. or go without work in the construction industry.

THE FACTS

The Federal Works Agency.—When bids were opened on September 18, 1941, by the Federal Works Agency on a project calling for construction of 300 defense houses at Wayne, Michigan, it was found that the \$979,500 bid of the P. J. Currier Lumber Company of Detroit, Michigan, was low by \$431,000, or a saving of \$1321 per dwelling unit. It was the only bid that came within the limitations of the funds allotted for the project. Currier's financial standing, building record, labor and material supply were examined and pronounced satisfactory by the FWA whose officials congratulated him and told him to go ahead.

Office of Production Management.—While the Currier company was busy on basic engineering work that cost between ten and fifteen thousand dollars, it heard disquieting rumors to the effect that influence of the Office of Production Management was being brought to bear upon the Federal Works Agency to block the signing of the contract. It was then learned at Washington that a board of review of the OPM had requested the FWA to withhold signing of the contract. Its reasons for this action were that the Currier firm had a wage agreement with the United Construction Workers Organizing Committee—CIO and that the AFL Building Trades would object to the employment of CIO membership on a government construction project. (It will be recalled that the OPM on July 22nd promulgated a stabilization program for the construction industry which purported to regulate wages and hours and which contained a no-strike clause. Since the UCWOC was excluded from this stabilization program and it was signed only by the AFL Building Trades Department there was presumptive evidence that the real intent was to effectuate a monopoly of defense construction for AFL unions.)

Justice Department.—The confusion caused by the Office of Production Management led Federal Works Administrator John Carmody to refer the matter to the Department of Justice for a legal ruling. Upon examination of the facts, the Department of Justice found them to be as stated and its conclusion was that there was no basis in law for the denial of this contract to the lowest responsible bidder, namely, the Currier Lumber Company which employs UCWOC labor.

In its analysis of the case, the Department of Justice said:

"It is inconceivable that the Government of the United States should have adopted any policy of favoring one labor organization to the exclusion of the other. If the low bidder is able to demonstrate to the satisfaction of the agency receiving the bid that he is ready, willing, and able to perform his contract expeditiously, efficiently, and economically, the contract should be awarded to him.

"Notice should be served at once upon all concerned that the Government is interested only in an impartial appraisal of the merits of bids in awarding contracts.

"In this case Currier's bid was far below other bids. He has also satisfactorily demonstrated that from the viewpoint of financial responsibility, organization, and experience he is eminently qualified to perform this contract pursuant to the specifications of the Federal Works Agency. He should therefore be awarded this contract without further delay in order that work upon the project may proceed forthwith."

The Truman Committee.—At this point the Senate Defense Investigating Committee of which Senator Harry Truman, Democrat of Missouri, is Chairman, held a public hearing at which Messrs. Currier and Carmody appeared and substantiated the facts as herein stated. It is especially significant to note that Mr. Carmody

told the Senate Committee he had been prevented from awarding the contract on instructions from Mr. Hillman's office. Mr. Carmody praised the industrial union technics employed by Currier which resulted in greater savings to the taxpayers and to the workers who will ultimately purchase the homes. On this latter point, it was disclosed that if the Currier bid is rejected it means extra payment by the occupants of \$10 a month over a period of twelve years. Mr. Carmody also advised the Senate Committee that the Justice Department had found no legal basis to justify refusal of the contract.

It was also disclosed at the Senate hearing that the Currier Company pays wages twenty per cent higher than prevailing union wages in Detroit and that its men have steady year-round employment. Wages on the Wayne Housing Project are fixed by the Bacon-Davis Act and must comply with the prevailing scale. The hours worked are uniform and the specifications complied with are identical also.

Mr. Carmody testified that the A. F. L. had protested to him against awarding the contract to the U. C. W. O. C. employer. He confirmed the fact that the U. C. W. O. C. men in Currier's employment were fully able to complete the job without employment of any outside craftsmen.

American Federation of Labor.—From Detroit and O. P. M. officials meanwhile came statements that the A. F. L. would call a general strike in Detroit and perhaps over a much larger area if this contract were awarded to the U. C. W. O. C. firm. That the A. F. L. took the position that it had an exclusive monopoly on all defense construction is confirmed by its weekly news service of September 30th which said:

"In his annual report to the convention, President John P. Coyne is expected to emphasize the importance of the stabilization pact entered into by the Building and Construction Trades Department with the Federal agencies in the defense field. Hillman, in his official position as twin head of the O. P. M., helped in the negotiation of this pact which gives the A. F. of L. unions a virtual closed shop on all defense projects."

The same publication heralded Hillman's appearance in Seattle where he addressed the annual convention of the Building and Construction Trades Department of the A. F. of L. and it referred to Hillman as having turned the "cold shoulder" on the U. C. W. O. C.

In his address to the convention Hillman praised the A. F. of L. Building Trades and upheld the stabilization pact as ending labor strife in defense construction.

CONCLUSION

The airing of this matter received unprecedented publicity and stirred Washington as had no other labor subject since the beginning of the defense program. Newspaper and radio comment condemned the one-sided and discriminatory policy of OPM towards the CIO. Affiliates of the CIO throughout the nation rallied to the aid of the UCWOC and flooded Washington with telegrams demanding an end to the OPM interference on behalf of the A. F. of L. The question is whether American workers are to be forced to accept government dictation on which union they may join. While this particular episode has exploded in Congress, the press, and throughout labor and industry, it is but one of a series of incidents that have demonstrated strong bias by the OPM labor division headed by Hillman against the CIO. The effect of its policy is to grant a monopoly to the A. F. of L. regardless of the wishes of the workers, expediting of the defense program, or cost to the taxpayers.

It is hardly necessary for me to comment in writing to CIO affiliates on the agreement of the A. F. of L. to a clause waiving strikes for any cause whatsoever. This no-strike clause incidently has been violated repeatedly by the AFL Building Trades union since the effective date of the stabilization agreement.

It passes understanding that a powerful government agency should lend itself to the perpetuation of intolerable conditions that have retarded the progress of this industry and exploited its labor for so many years. It also passes understanding that Hillman, who is identified with the CIO, should enter into an unlawful conspiracy with the A. F. of L. against the CIO.

When the Government says to a man that he must join a certain type of union, or none at all, it definitely marks the most backward step ever taken in the history of labor relations in this nation. Freedom of choice as guaranteed by the Wagner Act and other pro-labor legislation for which labor has fought a half century struggle, has been discarded by the OPM. Here we have the spectacle of a set of

bureaucrats, seizing extra legal powers, undertaking to rewrite the laws enacted by Congress and to impose on free American labor a new form of slavery.

By what rule of reason or policy should any branch of labor or industry be denied an opportunity to participate on an equal basis in the defense program of our nation? Why are savings of millions of dollars of taxpayers' money so lightly set aside in order to continue an outmoded and too often corrupt setup in this industry? Are American workers now to be subjects of a 'Labor Front' on the Hitler model? Are reputable businessmen to be turned away solely because they have sought to deal fairly with their employees in the spirit and the letter of federal labor laws?

These are only a few of the vital questions raised by the reprehensible conduct of Sidney Hillman of the O. P. M. in his stealthy efforts to enforce a deal with the building trades of the A. F. of L. Fortunately, this matter has now been blasted out into the open where the issue will be determined before the bar of public opinion.

REQUEST FOR ACTION

The U. C. W. O. C. calls upon all C. I. O. Affiliates to communicate immediately with the Senate Committee Investigating the National Defense Program (Truman Committee) to expose completely the ramification of this policy and to demand of Sidney Hillman a full explanation of his strange conduct. We also call upon the C. I. O. membership generally to write members of Congress protesting against this high-handed O. P. M. policy and to President Roosevelt who is responsible for Mr. Hillman's position in the O. P. M.

Sincerely yours,

A. D. LEWIS, *Chairman.*

EXHIBIT No. 131

[Immediate release]

CONGRESS OF INDUSTRIAL ORGANIZATIONS EXECUTIVE BOARD RESOLUTION ADOPTED BY UNANIMOUS VOTE

JANUARY 8, 1941.

Whereas, There has long been evident a serious shortage of proper low-rental housing for industrial workers in Camden and vicinity, most of whom are members of the Congress of Industrial Organizations union and,

Whereas, The Industrial Union of Marine and Shipbuilding Workers of America took the initiative many months ago in obtaining federal action to relieve the acute housing problem in that area and were successful in obtaining authorization for a 500-home project, and

Whereas, This project will be occupied by members of the IUMSWA and other CIO unions in the area who keenly desire that this be a 100% CIO project, built by the CIO as well as occupied and administered by the CIO, and

Whereas, The United Construction Workers Organizing Committee has a substantial membership of competent mechanics of all classifications in the area and also has wage agreements with a number of reputable, experienced, and financially qualified contractors prepared to erect this project, and

Whereas, Federal Works Administrator John M. Carmody has stated that construction under the program of the UCWOC would offer the only feasible answer to the problem of building these homes within an average cost limitation of \$3,000, and

Whereas, After negotiations between the United Construction Workers Organizing Committee, the Industrial Union of Marine and Shipbuilding Workers of America, the South Jersey Industrial Union Council, on the one hand, and the Federal Works Agency on the other, during which qualifications of CIO contractors were submitted and found to be satisfactory, and

Whereas, The Federal Works Agency suddenly departed from its policy of negotiated bids on defense housing projects and decided to let this single job out on competitive bids, permitting either A. F. L. or nonunion contractors to enter the field, and

Whereas, Officers of the I. U. M. S. W. A. and the U. C. W. O. C. have worked diligently for many weeks on the details of this housing project in the earnest desire that it would be the first 100% C. I. O. housing project with proper well-

built, low-cost homes without exploitation of construction workers, Therefore be it

Resolved, That the Executive Board of the Congress of Industrial Organizations believes that members of the C. I. O. unions in Camden and the U. C. W. O. C. have been discriminated against by the action of the Federal Works Agency in not adhering to its policy of negotiated bids and awarding this project to one of the several competent and qualified C. I. O. contractors without hesitation, Therefore be it further

Resolved, That Administrator John M. Carmody of the Federal Works Agency be advised that the Executive Board of the C. I. O., after being fully informed of the details regarding this project, condemns this discriminatory action against the shipyard workers and the U. C. W. O. C. and the C. I. O. membership generally in the Camden area.

Copies of this resolution shall be sent to:

President Roosevelt

Administrator John M. Carmody

William Knudsen and

Sidney Hillman, Coordinate Directors, National Defense Advisory Commission

Also released to the Press

EXHIBIT No. 132

CONGRESS OF INDUSTRIAL ORGANIZATIONS EXECUTIVE BOARD

RESOLUTION ADOPTED JANUARY 9, 1941

Whereas, An increasing amount of construction work is occurring in the mass-production plants as a result of the new plant facilities and remodeling which are required, and

Whereas, The United Construction Workers Organizing Committee offers to the construction workers the only democratic union available to them with an elimination of craft jurisdictional disputes and racketeering, now Therefore be it

Resolved, That the Executive Board of the CIO, representing all of the affiliated unions of the CIO, hereby determines that:

(1) The United Construction Workers Organizing Committee should extend its organizing efforts among the construction workers employed by contractors in the mass-production plants;

(2) The affiliates of the CIO pledge their complete and full cooperation to such organizing efforts, promise to give their full backing to the UCWOC in all respects and condemn any local agreements with A. F. of L. craft unions which prevent this cooperation and aid;

(3) This resolution should be given the widest distribution among all CIO affiliated unions and councils.

EXHIBIT No. 133

[Telegram]

OCTOBER 20, 1941.

Send wire to President Franklin D. Roosevelt, White House, Washington, D. C., and Administrator John Carmody, Federal Works Agency, Washington, D. C.

As president of the United Automobile Workers of America, representing some 600,000 workers in that industry, and vice president of the Congress of Industrial Organizations, I should like to protest violently the procedure being carried out by Government in not awarding the housing contract in Wayne, Michigan, to the Currier Lumber Company, which holds a contract with the CIO construction workers. I have many reasons for opposing this policy. Number one is the \$400,000 additional cost that the people of this country will sometime have to pay if this contract is awarded to another company than the Currier Company. Reason number two is that if all contracts given by the Government are to be given to companies holding contracts with the AF of L, and if that organization

is the only organization recognized by the Government, so that for all practical purposes it enjoys a closed shop set up, then it seems to me that there is a conflict between that policy and the policy which the Government applies in our industry and other heavy industries in this country, where the National Mediation Board is refusing closed shop contracts. It seems to me, in comparing the policy handed down by the OPM and the policy handed down by the National Mediation Board, that there is clear-cut discrimination against the unions organized under the banner of the CIO. In fact, this discrimination is more pronounced than is disclosed on the surface of these two policies, due to the circumstance that this policy was set up with the AF of L building trades without any elections by the National Labor Relations Board or any other Government agencies, while the only places we are asking for closed shops are where it has been clearly decided that we have a preponderance of the membership in the industries involved. And reason number three is that it seems to me that the so-called stabilization agreement between the AF of L building trades and the OPM is a clear violation of the law governing the letting of contracts, and also a violation of the National Labor Relations Act, and discriminatory against the members of the Congress of Industrial Organizations.

R. J. THOMAS,
President, United Automobile Workers of America.

[Night letter]

OCTOBER 21, 1941.

HON. HARRY TRUMAN,
*Chairman, Truman Committee,
Senate Office Building, Washington, D. C.:*

In the interests of fair play and labor's rights under the National Labor Relations Act I respectfully urge you to expose completely the high-handed policy of O. P. M. in the Currier Lumber Co., Detroit. In the interests of national defense your committee should demand from Mr. Hillman a full explanation of his strange and unprincipled conduct in destroying labor's rights.

RICHARD FRANCIS,
*C. I. O. Regional Director,
1518 Smith Tower, Seattle, Wash.*

OCTOBER 21, 1941.

The Honorable HARRY TRUMAN,
*Chairman, Senate Defense Investigating Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR TRUMAN: The Second Biennial Convention of the State, County & Municipal Workers of America, held September 24th to 27th in Lansing, Michigan, went on record as wholeheartedly in support of President Roosevelt's policy of all-out aid to the nations fighting Hitler and Hitlerism. The Convention further called for maximum national unity in order that the national defense program should be pushed forward with the greatest of speed. As the responsible officer of the State, County & Municipal Workers of America, I am naturally bound to do everything in my power to implement Convention decisions.

I state these facts in order that you may be clear as to the reasons for my interest, in behalf of our Union members, in the present situation regarding the defense housing contract at Wayne, Michigan, on which the P. J. Currier Lumber Company of Detroit, Michigan, was low bidder.

I have followed with great care the newspaper stories on the controversy over the Currier bid, and I have also studied the communications on the subject sent to me by Mr. A. D. Lewis, Chairman of the United Construction Workers Organizing Committee, CIO. At all times I have attempted to evaluate the situation with a special regard to the necessities of the national defense program.

In light of all the facts I have at my command, it seems clear to me that taking the contract away from a company whose bid was low by \$431,000 is neither in the interest of national defense nor valid, reasonable and just. The action, on the face of it, is both ill-advised and discriminatory.

Our national defense program, I believe, must be prosecuted with one aim uppermost in mind, that is, defending and protecting the democratic institutions of our country and the civil liberties of the people. Such a fight deserves the utmost support of all people united in the common aim of defending our nation by smashing Hitler and fascism once and for all.

Anything which in any way creates doubts or lays the ground for suspicion that the defense program is not for the purpose of defending the best interests of all the people within our democracy is dangerous to the defense program. Discrimination in the awarding of contracts, whether against individuals or groups and classes of individuals, or against employers or unions of workers, especially by key defense agencies and officials, cannot help but play into the hands of the enemies of the national defense program.

I therefore hope that the Senate Defense Investigating Committee will continue to prosecute its investigation of the withdrawal of the contract from the P. J. Currier Lumber Company, with a view to bringing to light all pertinent information on the reasons for that withdrawal.

Sincerely yours,

ABRAM FLAXER, *President.*

OCTOBER 20, 1941.

Mr. ABRAM FLAXER,

President, State, County, and Municipal Workers of America,

2 Lafayette Street, New York, N. Y.

DEAR SIR AND BROTHER: I wish to thank you for your letter of October 9th and the enclosed copy of a telegram which you addressed to Senator Harry Truman, urging that OPM officials be subpoenaed to appear before the Committee Investigating National Defense.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

ADL: dp

STATE, COUNTY AND MUNICIPAL WORKERS OF AMERICA,

New York, N. Y., October 9, 1941.

Mr. A. D. LEWIS,

United Mine Workers Building,

Washington, D. C.

DEAR DENNY: Enclosed is a copy of a wire that I have sent today to Senator Harry Truman at your request.

I hope that it will be of value.

Fraternally,

ABRAM FLAXER, *President.*

[Charge to the account of State, County & Municipal Workers of America, 2 Lafayette St., N. Y. C.]

[Telegram]

OCTOBER 9, 1941.

The Honorable HARRY TRUMAN,

Chairman, Special Committee Investigating National

Defense Program, Senate Office Building, Washington, D. C.

Respectfully urge that OPM officials, other officials in charge building programs under national defense be subpoenaed to appear before your committee and state policy on Hillman stabilization agreement in building industry and Currier Lumber case in Detroit. For best interest of national defense, this situation must be cleared up once and for all to satisfaction of labor movement which is deeply concerned.

ABRAM FLAXER,

President, State, County & Municipal Workers of America.

[Charge to the account of State, County & Municipal Workers of America, 2 Lafayette St.,
N. Y. C.]

[Telegram]

OCTOBER 7, 1941.

Honorable JOHN CARMODY,

*Administrator Federal Works Agency,
North Interior Building, Washington, D. C.*

Understand Currier Lumber Company, Detroit, Michigan, lowest bidder defense homes, nevertheless has not received contract. This contractor employs CIO workers, members United Construction Workers Organizing Committee. Discrimination against CIO in this instance matter of grave concern to all CIO affiliates, especially in view need to expedite defense program as rapidly, economically and fairly as possible. Urge that contract be given immediately to Currier Lumber Company.

ABRAM FLAXER,

President, State, County & Municipal Workers of America.

OCTOBER 20, 1941.

Mr. S. H. DALRYMPLE,

*President, United Rubber Workers of America,
503 United Building, Akron, Ohio.*

DEAR SIR AND BROTHER: I am in receipt of your letter of October 13th with the enclosed copy of a wire addressed by L. S. Buckmaster to Administrator John Carmody of the Federal Works Agency in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Yours very truly,

A. D. LEWIS, *Chairman.*

UNITED RUBBER WORKERS OF AMERICA,
Akron, Ohio, October 13, 1941.

A. D. LEWIS,

*Chairman, United Construction Workers Organizing Committee,
15th and Eye Streets, NW., Washington, D. C.*

DEAR SIR AND BROTHER: Enclosed is copy of wire sent to Hon. John Carmody, Administrator, Federal Works Agency, regarding the Currier Lumber Company of Detroit, which is self-explanatory.

With best wishes, I am
Fraternally yours,

S. H. DALRYMPLE,
President, United Rubber Workers of America.

[Telegram]

OCTOBER 8, 1941.

Hon. JOHN CARMODY,

*Administrator, Federal Works Agency,
North Interior Bldg., Washington, D. C.*

We strongly urge that your department cease discrimination against CIO Construction Workers in letting of contracts. In the interests of the government, the taxpayer, the consumer and clean unionism, we specifically ask that housing contract in Detroit be awarded to Currier Lumber Company.

L. S. BUCKMASTER,
Vice-President, United Rubber Workers of America.

[Day letter]

OCTOBER 8, 1941.

Hon. JOHN CARMODY,

*Administrator, Federal Works Agency,
North Interior Bldg., Washington, D. C.*

We strongly urge that your department cease discrimination against CIO Construction Workers in letting of contracts. In the interests of the government,

the taxpayer, the consumer and clean unionism, we specifically ask that housing contract in Detroit be awarded to Currier Lumber Company.

L. S. BUCKMASTER,
Vice-President, United Rubber Workers of America.

Send to Mr. A. D. Lewis. B. J. S.

OCTOBER 10, 1941.

Mr. JOHN L. LEWIS,
President, United Mine Workers of America,
United Mine Workers Building, Washington, D. C.

DEAR SIR AND BROTHER: I am in receipt of a copy of the telegram you have addressed to Senator Harry Truman urging that government officials in charge of building programs be called before the Special Committee Investigating the National Defense Program to testify in regard to the stabilization agreement between the AFL and the OPM.

Thanking you for your cooperation, I am
Yours very truly,

A. D. LEWIS, Chairman.

[Telegram]

WASHINGTON, D. C., October 9.

Hon. HARRY TRUMAN,
Chairman, Special Committee Investigating National Defense Program,
United States Senate, Washington, D. C.

The Hillman stabilization agreement in the building industry, which creates a Government monopoly for the American Federation of Labor, and the outrageous action of the OPM in the Currier Lumber case, assuredly requires further investigation by your committee. In behalf of the members of the United Mine Workers of America, I urge that your committee subpoena and have testify OPM officials and other departmental officials, in order to fix public responsibility for this extraordinary policy.

JOHN L. LEWIS.

Charge UMWA.

[Telegram]

OCTOBER 7, 1941.

Honorable JOHN CARMODY,
Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.

Representing the United Mine Workers of America, I suggest that the only honorable procedure is for the government to award the Currier Lumber Company the building contract upon which it is the lowest bidder.

JOHN L. LEWIS.

CHG: United Mine Workers of America.

UNITED MINE WORKERS OF AMERICA

WASHINGTON, D. C., October 7, 1941.

Referred to Allan S. Haywood for your information.
Received Oct. 1, 1941.

CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D. C.

[Telegram]

OCTOBER 7, 1941.

Chg: United Mine Workers of America, United Mine Workers' Building, 15th & I Streets.

Honorable JOHN CARMODY,
*Administrator, Federal Works Agency,
 North Interior Building, Washington, D. C.*

Representing the United Mine Workers of America, I suggest that the only honorable procedure is for the Government to award the Currier Lumber Company the building contract upon which it is the lowest bidder.

JOHN L. LEWIS.

OCTOBER 13, 1941.

Mr. HAROLD LANE.

Secretary-treasurer, United Cannery, Agricultural, Packing, And Allied Workers of America, 205 West Wacker Drive, Chicago, Illinois.

DEAR SIR AND BROTHER: I am in receipt of a copy of the telegram you have sent to Administrator John Carmody of the Federal Works Agency protesting discriminatory action against the Currier Lumber Company by the Office of Production Management.

Thank you very much for your cooperation in this matter.

Yours very truly,

A. D. LEWIS, *Chairman.*

[Telegram]

OCTOBER 7, 1941.

Honorable JOHN CARMODY,

*Administrator Federal Works Agency,
 North Interior Building, Washington, D. C.*

Strongly protest your discriminatory action against Currier Lumber Company, in Detroit, who submitted lowest bid on housing project. Continued discrimination against companies with contracts with United Construction Workers Organizing Committee C. I. O. will result in loss of faith in your administration and jeopardize our national defense efforts. Earnestly request your office follow past practices of our Government in awarding contracts in a democratic manner to the lowest bidder and most responsible companies.

HAROLD LANE,
*General Secretary-Treasurer, United Cannery, Agricultural,
 Packing and Allied Workers of America, C. I. O.*

CONGRESS OF INDUSTRIAL ORGANIZATIONS

WASHINGTON, D. C., *October 11, 1941.*

Referred to Mr. A. D. Lewis, Chairman U. C. W. O. C. for your information.

By ALLAN S. HAYWOOD.

[Copy of telegram]

OCTOBER 7, 1941.

Honorable JOHN CARMODY,

*Administrator Federal Works Agency,
 North Interior Building, Washington, D. C.*

Strongly protest your discriminatory action against Currier Lumber Company in Detroit who submitted lowest bid on housing project. Continued discrimination against companies with contracts with United Construction Workers Organizing Committee C. I. O. will result in loss of faith in your administration and jeopardize our national defense efforts. Earnestly request your office follow past practices of our Government in awarding contracts in a democratic manner to the lowest bidder and most responsible companies.

HAROLD LANE,
*General Secretary-Treasurer, United Cannery, Agricultural,
 Packing and Allied Workers of America, C. I. O.*

OCTOBER 18, 1941.

Mr. L. C. WHITING,
Secretary-Treasurer, Contra Costa County Industrial Union Council,
Box 48, Martinez, California.

DEAR SIR AND BROTHER: Thank you very much for sending me a copy of the letter which you addressed under date of October 9th to Administrator John Carmody of the Federal Works Agency in which you protest the action of the FWA in withholding the contract for the defense housing project from the Currier Lumber Company.

With every best wish, I am
 Yours very truly,

A. D. LEWIS, *Chairman.*

CONTRA COSTA COUNTY INDUSTRIAL UNION COUNCIL,
 MARTINEZ, CALIF., *October 9, 1941.*

Honorable JOHN CARMODY,
Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.

DEAR SIR: This Council has taken note of the letter addressed to you on September 29th by Mr. A. D. Lewis of the United Construction Workers Organizing Committee in which he protests the awarding of a Federal housing project in Detroit to an A. F. of L. contractor whose bid was \$400,000 above that of an established and reliable C. I. O. contractor. We join with Mr. Lewis and others in protesting the obvious indication of government subservience to A. F. of L. racketeering and trust that immediate steps will be taken to correct this action.

Yours very truly,

L. C. WHITING, *Secretary-Treasurer.*

cc: A. D. Lewis

OCTOBER 18, 1941.

Mr. H. R. BRIDGES,
President, International Longshoremen's and Warehousemen's Union,
593 Market Street, San Francisco, California.

DEAR SIR AND BROTHER: Mr. Allan S. Haywood has forwarded me a copy of the night letter you have sent to Administrator John Carmody of the Federal Works Agency in which you condemn the action of the Federal Works Agency in withholding the contract for the defense housing project from the Currier Lumber Company. It is the wholehearted support of those like yourself that will enable the UCWOC to really make progress in the construction industry.

Yours very truly,

A. D. LEWIS, *Chairman.*

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION,
 San Francisco, Calif., *October 7, 1941.*

Mr. ALLAN S. HAYWOOD,
Director of Organization, Congress of Industrial Organizations,
1106 Connecticut Avenue, N. W., Washington, D. C.

DEAR SIR AND BROTHER: Enclosed is a copy of a wire sent to the Honorable John Carmody, Administrator of the Federal Works Agency, in connection with the awarding of a contract to the Currier Lumber Company of Detroit.

Fraternally yours,

H. R. BRIDGES, *President.*

[Night letter]

OCTOBER 7, 1941.

Hon. JOHN CARMODY,
Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.

The Currier Lumber Company of Detroit in addition to being guaranteed and reliable contractor in every way was also lowest bidder for house building in

connection with your department. In view of this, any action by your department to deny awarding of contract for house building to Currier Lumber Company is outright discrimination against CIO and its members, many of whom are employed by this company. Such actions by government departments causes much speculation as to sincerity of purpose especially at this time when full support and harmony must prevail behind all-out production and defense program. Our entire organization insists fair dealing and justice prevail in this instance and customary government practices adhered to by awarding contract to Currier Lumber Company.

H. R. BRIDGES.
*President, International Longshoremen's
and Warehousemen's Union.*

OCTOBER 18, 1941.

Mr. REID ROBINSON,
*President, International Union of Mine, Mill and Smelter Workers,
303 Railway Exchange Building, Denver, Colo.*

DEAR SIR AND BROTHER: I am in receipt of a copy of the wire you addressed, under date of October 7th, to Administrator John Carmody of the Federal Works Agency in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Thanking you very much for your cooperation in this regard, I am
Yours very truly,

A. D. LEWIS, *Chairman.*

[Telegram]

UM TWS OCTOBER 7, 1941.

JOHN CARMODY,
*Administrator Federal Works Agency, North Interior Building,
Washington, D. C.:*

Currier Lumber Company, Detroit, low bidder on contract for building houses. Company's reliability a matter of record. Urge that you see this company is awarded contract and not subjected to discrimination because employing CIO members.

REID ROBINSON,
President International Union of Mine, Mill and Smelter Workers.

INTERNATIONAL UNION OF MINE, MILL AND SMELTER WORKERS,
Denver, Colo., October 8, 1941.

Mr. ALLAN S. HAYWOOD,
*Director of Organization, Congress of Industrial Organization,
1106 Connecticut Avenue N. W., Washington, D. C.*

DEAR SIR AND BROTHER: I acknowledge your wire of the 6th, with regard to the contract awarded to the Currier Lumber Company in Detroit, and I enclose for your information, a copy of my wire to the Honorable John Carmody, Administrator of the Federal Works Agency.

Fraternally yours,

REID ROBINSON, *President.*

OCTOBER 17, 1941.

Mr. JOHN O'LEARY,
*International Executive Board Member, U. M. W. A.,
Farragut Hotel, Knoxville, Tenn.*

DEAR JACK: This will acknowledge with many sincere thanks the letter you sent to Sidney Hillman regarding the unlawful conspiracy that he has sanctioned between the government and the A. F. of L. Building Trades. It is the whole-hearted support of those like yourself that will enable the United Construction Workers Organizing Committee to really make some progress in that corrupt

and backward industry which has been exploited by the A. F. of L. for so many years.

With every best wish, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

UNITED MINE WORKERS OF AMERICA, DISTRICT NINETEEN,
Knoxville, Tenn., October 14, 1941.

Mr. A. D. LEWIS,
*Chairman, U. C. W. O. C.,
United Mine Workers Building, Washington, D. C.*

DEAR SIR AND BROTHER: Inclosed please find copy of letter I have today addressed to Sidney Hillman—all of which is self-explanatory and for your information.

Yours very truly,

JOHN O'LEARY,
Int'l. Ex. Bd. Member.

KNOXVILLE, TENN., *October 14, 1941.*

DEAR SIR: As a representative of the United Mine Workers of America, affiliated with the C. I. O., and as a citizen and taxpayer of the United States, in good standing—I cannot see, for the life of me, why you should enter into a so-called agreement with the A. F. of L. Building Trades for a promise not to strike on Defense Projects—a promise which has been broken time and again.

One of the many Defense Housing Projects that the government is now trying to provide is in Michigan. The low bidder is a Detroit lumber company, headed by P. J. Currier, whose bid was \$431,000.00 under that of his nearest competitor, and incidentally this competitor employs C. I. O. labor—evidently that is the reason he has not secured the contract.

If you can sustain your position before the taxpayers of the United States and the membership of the C. I. O. it is more than I can understand or feel that you will be able to do.

You know, if you know anything, that this procedure is a violation of the Federal Laws of the United States, and the betrayal of the membership of the C. I. O.

There is no doubt in my mind but that your action has shown very clearly you are representing the A. F. of L. instead of properly serving National Defense.

Yours very truly,

JOHN O'LEARY,
International Executive Board Member.

WASHINGTON, D. C., *October 6, 1941.*

A. D. LEWIS,
*Chairman Construction Workers Organizing Committee,
United-U. M. W. A. Bldg., Washington, D. C.*

Request you wire Honorable John Carmody, Administrator, Federal Works Agency, North Interior Building, Washington, D. C., insisting that Currier Lumber Company in Detroit be given contract for building houses. He was the lowest bidder. Reliable in every way and employs C. I. O. members of the United Construction Workers Organizing Committee. This flagrant discrimination against the C. I. O. and its members is of grave concern to everyone and contrary to all Government practices heretofore. Please send us copy of your protest.

ALLAN S. HAYWOOD, *Director of Organization.*

OCTOBER 10, 1941.

Mr. DONAL M. SULLIVAN,
*President, American Newspaper Guild,
14 Pearl Street, New York City.*

DEAR SIR AND BROTHER: I am in receipt of a copy of the telegram you have addressed to Senator Harry Truman urging that government officials in charge

of building programs be called before the Special Committee Investigating the National Defense Program to testify regarding the stabilization agreement between the A. F. L. and O. P. M.

Thanking you for your cooperation, I am
Yours very truly,

A. D. LEWIS, *Chairman.*

[Copy of telegram]

OCTOBER 9, 1941.

Senator HARRY TRUMAN,

*Chairman, Special Committee Investigating National Defense Program,
Senate Office Bldg., Washington, D. C.:*

In behalf of the American Newspaper Guild, I urge that O. P. M. and other Department officials in charge of building programs under national defense be subpoenaed to appear before your committee to State their attitude toward the stabilization agreement in the building industry reached by Mr. Sidney Hillman in relation to the Currier Lumber case in Detroit.

DONALD M. SULLIVAN, *President.*

OCTOBER 10, 1941.

Mr. LEWIS MERRILL,

*President, United Office and Professional Workers of America,
8 West 40th Street, New York City.*

DEAR SIR AND BROTHER: I am in receipt of a copy of the telegram you have addressed to Senator Harry Truman urging that government officials in charge of building programs be called before the Special Committee investigating the National Defense Program to testify in regard to the stabilization agreement between the A. F. L. and the O. P. M.

Thanking you for your cooperation, I am
Yours very truly,

A. D. LEWIS, *Chairman.*

UNITED OFFICE AND PROFESSIONAL WORKERS OF AMERICA,

New York, N. Y., October 9, 1941.

Mr. A. D. LEWIS,

*Chairman, United Construction Workers Organizing Committee,
15 and Eye Street, NW., Washington, D. C.*

DEAR MR. LEWIS: For your information I am enclosing herewith a copy of a wire sent yesterday to Senator Truman of the Special Committee Investigating the National Defense Program.

Fraternally yours,

LEWIS MERRILL, *President.*

[Telegram]

Senator HARRY TRUMAN,

*Chairman, Special Committee Investigating National Defense Program,
Washington, D. C.*

Best interests of broadest and most effective program of national defense makes it urgent that O. P. M. officials and other department officials in charge of building programs for national defense be subpoenaed to appear before your committee and state their policy with respect to Hillman stabilization agreement in the building industry and the Currier Lumber case in Detroit.

LEWIS MERRILL,
President, United Office and Professional Workers of America.

OCTOBER 10, 1941.

Mr. J. C. LEWIS,

*Chairman, Packinghouse Workers Organizing Committee,
1323 Engineering Building, 205 West Wacker Drive, Chicago, Illinois.*

DEAR SIR AND BROTHER: I am in receipt of your letter of October 8th and the enclosed copies of letters which you have addressed to Mr. Sidney Hillman and to President Roosevelt, in which you protest the policy of the stabilization agreement between the American Federation of Labor and the Office of Production Management.

Mr. Allan S. Haywood, Director of Organization of the CIO, has forwarded me a copy of a telegram which you have sent to Mr. John Carmody, Federal Works Administrator, in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Thanking you for your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

PACKINGHOUSE WORKERS ORGANIZING COMMITTEE,
Chicago, Illinois, October 8, 1941.

A. D. LEWIS,

*Chairman, United Construction Workers, CIO.,
Fifteenth and Eye Streets NW., Washington, D. C.*

DEAR MR. LEWIS: In complying with your request of September 29th, I have sent letters of protest to Mr. Hillman and to President Roosevelt.

I am enclosing copies of the letters sent.

Fraternally,

J. C. LEWIS,
National Chairman Packinghouse Workers Org. Comm.

OCTOBER 8, 1941.

Mr. SIDNEY HILLMAN,

*Office of Production Management,
Washington, D. C.*

DEAR MR. HILLMAN: My attention has been brought to bear on the situation in Detroit, Michigan, as well as in various other places, where it seems apparent that the Office of Production Management is discriminating against CIO construction workers.

In Detroit the lowest bid on a Defense Housing Project was, apparently, denied to the Currier Lumber Company because the workers there belonged to the CIO.

I feel that your office should be fair enough to recognize the CIO where it has a membership and where that membership is capable and able to perform efficiently to aid in the national defense program.

The millions of workers who are members of the CIO expect fair treatment from the Office of Production Management in these crucial times.

I trust that you will give this matter your immediate attention.

J. C. LEWIS,
National Chairman, Packinghouse Workers Org. Comm.

OCTOBER 8, 1941.

FRANKLIN D. ROOSEVELT,

President, United States of America.

DEAR MR. PRESIDENT: The attention of this office has been brought to bear on an unhealthy situation now prevailing in the defense projects under construction or about to be initiated.

In Detroit, Michigan, a low bidder, Mr. Currier, was, apparently, denied a contract on a Defense Housing Project because his employees were members of the United Construction Workers of the C. I. O.

As C. I. O. members, loyal to the nation's defense program and to their fellow unionists, the millions of workers in the C. I. O. feel strongly that Government Agencies should be fair and impartial in their dealings where defense is involved.

Because of this situation I appeal to you. It is my hope that you will use your great influence to rectify this situation.

Respectfully,

J. C. LEWIS,
National Chairman, Packinghouse Workers Org. Comm.

PACKINGHOUSE WORKERS ORGANIZING COMMITTEE,
Chicago, Illinois, October 7, 1941.

Mr. ALLAN S. HAYWOOD,
*Director of Organization—C. I. O.,
1106 Connecticut Avenue, N.W., Washington, D. C.*

DEAR BROTHER HAYWOOD: You will find enclosed herewith a copy of my telegram protesting to the Hon. John Carmody, Administrator, Federal Works Agency against discrimination of the Currier Lumber Company, Detroit, Michigan, as per your request.

With very best wishes, I am
Fraternally yours,

J. C. LEWIS,
National Chairman, Packinghouse Workers Org. Comm.

[Telegram]

CHICAGO, ILLINOIS, Oct. 7, 1941.

Hon. JOHN CARMODY,
*Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.*

Recently the Currier Lumber Company Detroit Michigan who employs members of the United Construction Workers a CIO affiliation and whose firm is reliable in every respect was lowest bidder on contract calling for the construction of a number of houses. As chairman of the Packinghouse Workers Organizing Committee representing thousands of CIO members I earnestly urge you to use your good influence to see that the above firm receives just consideration.

J. C. LEWIS,
National PWOC Chairman.

OCTOBER 9, 1941.

Mr. ANTHONY H. ESPOSITO,
*President, United Paper, Novelty and Toy Workers
International Union, 225 LaFayette Street, Rm. 606, New York City.*

DEAR SIR AND BROTHER: Thank you very much for forwarding me a copy of the telegram you have sent to Mr. John Carmody, Federal Works Administrator, in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

UNITED PAPER, NOVELTY & TOY WORKERS INTERNATIONAL UNION—CIO

NEW YORK, N. Y., October 7, 1941.

Referred to A. D. Lewis, Chairman, Construction Workers Org. Comm. for your information.

By ANTHONY H. ESPOSITO, *Pres.*

[Copy of telegram]

10/7/41.

JOHN CARMODY,

*Administrator, Federal Works Agency, North Interior Building,
Washington, D. C.*

In the name of the 50,000 thousand members of this International Union, I protest most strenuously to delay in awarding contract to Currier Lumber Company of Detroit, Mich.

I am informed this firm offered lowest bid and failure to award contract under such circumstances is surely contrary to established Government practice and constitutes also flagrant discrimination of CIO members.

I appeal to you to correct this situation by awarding the contract to Currier Lumber Company.

ANTHONY H. ESPOSITO,
*President, United Paper, Novelty & Toy Workers
International Union, C. I. O.*

UNITED PAPER, NOVELTY & TOY WORKERS INTERNATIONAL UNION, CIO

NEW YORK, N. Y., October 7, 1941.

Referred to Allan S. Haywood, Dir. of Org, CIO, for your information.

By ANTHONY H. ESPOSITO, *Pres.*

[Copy of telegram]

10/7/41.

JOHN CARMODY,

*Administrator, Federal Works Agency, North Interior Building,
Washington, D. C.*

In the name of the 50,000 thousand members of this International Union, I protest most strenuously to delay in awarding contract to Currier Lumber Company of Detroit, Mich.

I am informed this firm offered lowest bid and failure to award contract under such circumstances is surely contrary to established Government practice and constitutes also flagrant discrimination of CIO members.

I appeal to you to correct this situation by awarding the contract to Currier Lumber Company.

ANTHONY H. ESPOSITO,
*President, United Paper, Novelty & Toy Workers
International Union, C. I. O.*

UNITED PAPER, NOVELTY & TOY WORKERS INTERNATIONAL UNION, CIO

NEW YORK, N. Y., Oct. 8, 1941.

Referred to A. D. Lewis, Chairman, United Construction Workers Organizing Committee, for your files.

By ANTHONY H. ESPOSITO, *Pres.*

[Telegram]

Senator HARRY TRUMAN,

*Chairman, Special Committee Investigating National Defense Program,
Washington, D. C.*

Speaking for 50,000 members of this International Union, I insist you subpoena O. P. M. officials and others in charge of building programs under national defense to appear before your committee to state their policy relative the Hillman stabilization agreement in building industry particularly as it applies to Currie lumber case in Detroit.

Failure to award contract to Currie Company is so clearly unfair to CIO labor as to demand thorough investigation.

ANTHONY H. ESPOSITO,
President, United Paper, Novelty & Toy Workers International Union.

OCTOBER 19, 1941.

Mr. DONAL M. SULLIVAN,
President, American Newspaper Guild, 14 Pearl Street, New York City.

DEAR SIR AND BROTHER: Thank you very much for forwarding me a copy of the telegram you have sent to Mr. John Carmody, Federal Works Administrator, in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

[Telegram]

OCTOBER 7, 1941.

Hon. JOHN CARMODY,
*Administrator, Federal Works Agency,
North Interior Bldg., Washington, D. C.*

I strongly urge that regular procedure be followed and that Currier Lumber Company, Detroit, be awarded the contract for building defense houses. We understand this company was the lowest bidder and that the only reason for violating usual procedure was that company employs CIO members of United Construction Workers Organizing Committee. We believe this is flagrant discrimination against the CIO and its members. We believe such procedure endangers the true interests of national defense and the basic right of American workers to choose for themselves which union they wish to join.

DONAL M. SULLIVAN,
President, American Newspaper Guild.

OCTOBER 9, 1941.

Mr. JAMES J. MITCHELL,
*Secretary-Treasurer, United Shoe Workers of America,
917 15th Street NW., Washington, D. C.*

DEAR SIR AND BROTHER: Thank you very much for forwarding me a copy of the telegram you have sent to Mr. John Carmody, Federal Works Administrator, in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

UNITED SHOE WORKERS OF AMERICA OF THE C. I. O.,
Washington, D. C., October 7, 1941.

Mr. A. D. LEWIS,
*President, United Construction Workers Organizing Committee,
United Mine Workers Building, Washington, D. C.*

DEAR BROTHER LEWIS: Enclosed you will find copy of telegram forwarded to Honorable John Carmody, Administrator of Federal Works Agency, Washington, D. C., by the United Shoe Workers of America, C. I. O., demanding that contract for construction work for homes in Detroit be granted the Currier Lumber Company who employs members of the C. I. O.

Note that we have mentioned in our telegram that a refusal to grant this Currier Lumber Company consideration for contracts is a direct discrimination against the company itself which employs C. I. O. members and is contrary to the Federal Labor Policy.

With best wishes for favorable results, I am,

Fraternally yours,

JAMES J. MITCHELL,
*General Secretary-Treasurer, United Shoe
Workers of America of the C. I. O.*

[Serial]

WASHINGTON, D. C., October 7, 1941.

Mr. JOHN CARMODY,

*Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.:*

Urge you grant contract construction of workers homes in Detroit to Currier Lumber Company which we understand was lowest bidder. Discrimination against this company because it employs C. I. O. members is contrary to Federal labor policy.

FRANK McGRATH,

President, United Shoe Workers of America, C. I. O.

JAMES J. MITCHELL,

General Secretary-Treasurer, United Shoe Workers of America, C. I. O.

UNITED SHOE WORKERS OF AMERICA OF THE C. I. O.,

Washington, D. C., October 7, 1941.

ALAN S. HAYWOOD,

*Director of Organization, Congress of Industrial Organizations,
1106 Connecticut Avenue NW., Washington, D. C.*

DEAR SIR AND BROTHER: In compliance with your request to wire the Honorable John Carmody, Administrator of Federal Works Agency, Washington, D. C., urging that he grant contract to the Currier Lumber Company, Detroit, and protesting the discrimination against C. I. O. employees in this company is contrary to the Federal Labor Policy, you will find enclosed copy of telegram forwarded as per your request.

Trusting that this is satisfactory, I am,

Fraternally yours,

JAMES J. MITCHELL,

*General Secretary-Treasurer, United Shoe
Workers of America of the C. I. O.*

OCTOBER 4, 1941.

Miss JOSEPHINE TIMMS,

*International Sec.-Treas., American Communications Association,
10 Bridge Street, New York, New York.*

DEAR MADAM: Thank you very much for the copy of the letter which you addressed under date of October 3rd to President Roosevelt protesting the discriminatory action against our union by the Office of Production Management.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

AMERICAN COMMUNICATIONS ASSOCIATION,

New York, N. Y., October 3, 1941.

The Honorable FRANKLIN D. ROOSEVELT,

White House, Washington, D. C.

DEAR MR. PRESIDENT: We have recently been advised through a communication dated September 29th, 1941, signed by Mr. A. D. Lewis, Chairman of the United Construction Workers Organizing Committee, CIO, of a very serious situation in the building trades of the country.

The letter suggests that the Office of Production Management is discriminating either consciously or unconsciously against the CIO workers in the building trades by awarding all the defense construction contracts to the A. F. of L. Building Trades Union. The medium which is bringing this condition about is the "Hillman Stabilization Agreement".

The agreement, so far as we are able to determine, provides certain policies on the part of the contractors, with respect to wages, hours and working conditions of men employed. It also provides for a "Board of Review" to interpret the provisions of the agreements.

In our opinion, this *board* has the power to review and interpret agreements on questions in dispute in respect to wages, hours and working conditions, but *does not* have authority to determine whether a contractor under wage agreement with either C. I. O. or A. F. of L. shall be awarded a contract for any Federal projects.

Assuming this is correct, we find this "Board of Review" conducting hearings on the question of whether the Currier Lumber Co. in Detroit, which was low bidder by four hundred thousand dollars, is to be awarded the contract for the building of three hundred defense homes in Detroit. The sole crime committed by the company so far as we can gather is that it holds a signed agreement with the United Construction Workers Organizing Committee of the C. I. O. instead of the A. F. of L. Building Trades Union.

If this is the case, we deplore such a situation being allowed to exist, as it indicates discriminatory practices against the C. I. O. within the administrative offices of the government.

This organization urges that this condition be investigated and such authority be denied the Board of Review. We are not in accord with a program in defense industry which requires every body working on such Building projects to pay tribute to the A. F. of L. Building Trades Unions, and further, we feel a low bidder should be given contract awards whenever possible so that the funds available for national defense purpose shall not be wasted and will be spread out to cover greater needs.

We trust that serious thought will be given this matter.

Respectfully,

JOSEPHINE TIMMS,
International Secretary-Treasurer.

(cc: Sidney Hillman
Sen. James P. Mead
" Robert F. Wagner)

[Telegram]

OCTOBER 8, 1941.

Honorable JOHN CARMODY,
*Administrator Federal Works Agency,
North Interior Bldg., Washington, D. C.:*

We representing 20,000 organized workers insist that Currier Lumber Company be given contract for building houses in Detroit. Company was lowest bidders, employes C. I. O. members. Is flagrant discrimination against C. I. O. and a waste of tax payers money to award contracts for building projects under national defense to higher bidders.

JOSEPHINE TIMMS,
Int'l Sec'y.-Treas., American Communications Association.

[Telegram]

OCTOBER 8, 1941.

Senator HARRY TRUMAN,
*Chairman, Special Committee Investigating National Defense,
Senate Office Bldg., Washington, D. C.*

The organized workers in our industry urge that your committee subpoenae the officials of O. P. M. and other department officials who have charge of building programs under national defense, to appear and state their policy with respect to Hillman stabilization agreement in the building trades industry and specifically in the Currier Lumber case in Detroit.

JOSEPHINE TIMMS,
Int'l Sec'y-Treas. American Communications Assoc.

OCTOBER 4, 1941.

Mr. JAMES ROBB,
District Director, Steel Workers Organizing Committee
507 Lemeke Building, 106 East Market Street, Indianapolis, Ind.

DEAR SIR AND BROTHER: Thank you very much for your letter of October 2nd and the copy of the letter which you have addressed to President Roosevelt, Sidney Hillman, and Senators VanNuys and Willis, in which you protest the discriminatory action against the members of our union by the Office of Production Management.

Appreciating your cooperation, I am
 Yours very truly,

A. D. LEWIS, *Chairman.*

CONGRESS OF INDUSTRIAL ORGANIZATIONS,
 STEEL WORKERS ORGANIZING COMMITTEE,
 INDIANAPOLIS, IND., October 2, 1941.

A. D. LEWIS,
Chairman, United Construction Workers Org. Committee,
15th and Eye Street, Northwest, Washington, D. C.

DEAR MR. LEWIS: This will acknowledge your letter relating the situation confronting the United Construction Workers Organizing Committee and the unfairness and hostile attitude of the Office of Production Management.

I am sending you a copy of the letter that we have sent the President, Sidney Hillman and Senators' VanNuys and Willis.

We shall be very happy to do anything we can to correct this very unfair and discriminatory action against the members of our Union.

With best wishes, I am
 Very sincerely,

JAMES ROBB,
District Director, S. W. O. C.

OCTOBER 2, 1941.

FREDERICK VAN NUYS,
United States Senator,
Senate House, Washington, D. C.

DEAR SIR: In behalf of thousands of Steel Workers affiliated with the Congress of Industrial Organizations and in the interest of National Defense, we desire to vigorously protest the action of the Office of Production Management in depriving men of the United Construction Workers Organizing Committee of the right to work on projects made necessary by National Defense, through secret understanding.

I believe the Associate Director of the Office of Production Management, Mr. Sidney Hillman, and the Building Trades Department of the American Federation of Labor, through secret agreements are depriving the members and Representatives of our organization the right to work and the right to speak and represent the members of our affiliated unions.

Therefore, we urge that an immediate investigation be made to the actions of the Office of Production Management to the effect that members of the Congress of Industrial Organizations can work and have the right to choose representatives of their own choosing without paying exorbitant initiation fees, excessive dues, fines and penalties that are shocking, unfair, unjust and against the principle of our Constitutional Government.

May we urge something be done immediately in regards to this situation.

Very sincerely,

JAMES ROBB,
District Director, S. W. O. C.

OCTOBER 13, 1941.

Mr. JOHN GREEN,
President, Industrial Union of Marine and Shipbuilding Workers,
534 Cooper Street, Camden, New Jersey.

DEAR SIR AND BROTHER: I am in receipt of a copy of the telegram you have addressed to Administrator John Carmody of the Federal Works Agency urging that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Thanking you for your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

[Radiogram]

OCTOBER 7, 1941.

Mr. JOHN CARMODY,
Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.

Urge that Currier Lumber Company, Detroit, be given contract for building houses, and that this Company should not be discriminated against because the employees are C. I. O. members.

JOHN GREEN,
President, Industrial Union of Marine and Shipbuilding Workers.

DISTRICT 50, UNITED MINE WORKERS OF AMERICA

WASHINGTON, D. C., Oct. 9.

Referred to Mr. A. D. Lewis for Your information.

By KATHRYN LEWIS.

[Copy of telegram]

OCTOBER 9, 1941.

Senator HARRY TRUMAN,
Chairman, Special Committee Investigating National Defense Program,
Senate Office Building, Washington, D. C.:

Currier lumber case reveals flagrant discrimination against C. I. O. by O. P. M. and defense building officials. To clarify situation and adjudge responsibilities, I urge you subpoena officials involved to appear before your committee and explain their policy. Also urge that committee publicly condemn stabilization agreement between Hillman and A. F. of L. building trades since it arbitrarily and unfairly excludes all non-A. F. of L. construction workers from defense building jobs. This violates basic right of workers to choose own union. Members of District 50, United Mine Workers of America, join me in vigorous protest.

O. E. GASAWAY,
President, District 50, United Mine Workers.

DISTRICT 50, UNITED MINE WORKERS OF AMERICA

WASHINGTON, D. C., October 8, 1941.

Referred to Mr. Allan Haywood for Your information.

By KATHRYN LEWIS.

2754 INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

[Charge to the account of District 50, U. M. W. A.]

[Telegram]

OCTOBER 8, 1941.

Honorable JOHN CARMODY,

Administrator, Federal Works Agency, North Interior Building,

Washington, D. C.:

In name of members of District 50 of United Mine Workers of America I urge you to give Detroit housing contract to Currier Lumber Company. Currier is lowest bidder by \$400,000 and interests of national defense demand this money not be spent unnecessarily. Justice demands no discrimination against C. I. O. workers for Currier. Such discrimination by you may set unfortunate precedent. Argument for your favorable consideration of Currier bid cannot be too strong.

O. E. GASAWAY,

President, District 50, United Mine Workers of America.

DISTRICT 50, UNITED MINE WORKERS OF AMERICA

WASHINGTON, D. C., October 8, 1941.

Referred to Mr. A. D. Lewis for Your information.

By KATHRYN LEWIS.

[Copy of telegram]

OCTOBER 8, 1941.

Hon. JOHN CARMODY,

Administrator, Federal Works Agency,

North Interior Building, Washington, D. C.:

In name of members of District 50 of United Mine Workers of America I urge you to give Detroit housing contract to Currier Lumber Company. Currier is lowest bidder by \$400,000 and interests of national defense demand this money not be spent unnecessarily. Justice demands no discrimination against C. I. O. workers for Currier. Such discrimination by you may set unfortunate precedent. Argument for your favorable consideration of Currier bid cannot be too strong.

O. E. GASAWAY,

President, District 50, United Mine Workers of America.

OCTOBER 21, 1941.

Mr. JOSEPH D. CANNON,

Chairman, Distillery Workers Organizing Committee,

1106 Connecticut Avenue, Northwest, Washington, D. C.

DEAR SIR AND BROTHER: This will acknowledge with thanks the copy of the very interesting telegram you have addressed to Senator Harry Truman, Chairman of the Committee Investigating the National Defense Program.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

CONGRESS OF INDUSTRIAL ORGANIZATIONS

WASHINGTON, D. C., October 14, 1941.

Referred to Mr. A. D. Lewis for your information.

By JOSEPH D. CANNON,

Chairman, Distillery Workers Organizing Committee.

[Telegram]

Copy to John Carmody, Chairman, Administrator, Federal Works Agency, Washington, D. C.

Hon. HARRY TRUMAN,

*Chairman, Special Committee Investigating the National Defense Program,
Senate Office Building, Washington, D. C.*

I wish earnestly to urge that the Special Committee Investigating the National Defense Program delve thoroughly into policy and conduct of O. P. M. and other Federal Government agencies having to do with the letting of contracts, especially in building construction.

It might be pertinent to go deeply into the reason for letting Government contracts to contractors who employ none but members of unions charging exorbitant initiation fees running from \$25.00 to \$1500.00 collected in installments, and so it is reported workers when payments were completed were in some cases discharged and new victims lined up on so much down and so much per week, and the process continuing while the job lasts and suckers keep coming.

One of the unions, in glass, with its \$1500.00 initiation fee would accept no new members but charged a permit fee of \$2.00 per day for workers to get and hold jobs on Government projects.

In a year each victim would pay \$600.00, in two years, \$1200.00 and in two and one-half years \$1500.00 the amount of the initiation fee.

Yet none would have paid initiation fees, just permit fees. None of these victims would have acquired any rights to protection, seniority, voting privileges or anything else that goes with union membership.

Union officials, building trade unions, contractors and contract letting officials of the United States Government and O. P. M. are in some way near or remotely connected with this vicious situation.

The New York Times some two months ago estimated the "take" at Fort Meade alone in this racket ran to some \$400,000. The Pittsburgh Press sometime earlier put an estimate of \$50,000,000 as the amount realized throughout the country by building trade unions, their officers and others suspected of being in on the kickback.

Your committee should go deep enough to unearth all facts connected with this scandal, place the responsibility where it belongs and free from suspicion any who may unjustly be thought parties to this hold up of over-exploited workers.

It might be well to determine what, if anything, there may be to reports that "go-betweens" manage to have Government contracts go to good paying bidders.

And now breaks the news of the Michigan housing deal. The lowest bid is \$3200.00 per house for 300 houses by a concern meeting in every way Government requirements as to responsibility and otherwise. The next low bid is \$4600.00 per house.

But we are informed that the low bidder can't get the job because the American Federation of Labor might not like it.

Not only is it proposed to violate all ethics governmental and otherwise by refusing the contract to the lowest bidder, but these houses are to be sold to their occupants. If the lowest bid be rejected and the next low bid accepted, it is estimated workers occupying the houses will have to pay on them for eleven years more before getting title than if the lowest bid be accepted.

Government officials who may be responsible for a betrayal of workers and home buyers in such manner are not worthy of being continued in positions of trust.

Respectfully,

JOSEPH D. CANNON,
Chairman, Distillery Workers Organizing Committee.

OCTOBER 16, 1941.

Mr. P. CHARLES DiNERI,

*Secretary-Treasurer, National Organizing Committee of Barbers and
Beauty Culturists of America,
330 Flatbush Avenue, Brooklyn, New York.*

DEAR SIR AND BROTHER: Your letter of October 9th addressed to Mr. Allan S. Haywood has been referred to me. I wish to thank you for sending the tele-

gram to Mr. John Carmody in which you request that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Yours very truly,

A. D. LEWIS, *Chairman.*

NATIONAL ORGANIZING COMMITTEE,
BARBERS AND BEAUTY CULTURISTS OF AMERICA,
Brooklyn, N. Y., October 9, 1941.

Mr. ALLAN S. HAYWOOD,

*Director of Organizations, Congress of Industrial Organizations,
1106 Connecticut Ave., NW., Washington, D. C.*

DEAR SIR AND BROTHER: In compliance with your telegram of October 6, 1941, the following wire was sent to John Carmody.

"In the name of our national organization, we request that the Currier Lumber Company of Detroit be given house building contract. The Currier Company is a reliable concern employing CIO members of the United Construction Workers. Our understanding is that they were the lowest bidder. We cannot understand the reason for this flagrant discrimination."

Trusting that the above is satisfactory to you, I am with kind personal regards and best wishes,

Sincerely and fraternally,

P. CHARLES DINERI,
Secretary-Treasurer.
Per L. M.

OCTOBER 21, 1941.

Mr. JOSEPH BARLEY,

*Secretary, Western Maryland Industrial Union Council,
12 South Meehanic Street, Cumberland, Maryland.*

DEAR SIR AND BROTHER: I am in receipt of the copies of letters you have addressed to President Roosevelt, Sidney Hillman, and Senators and Congressmen of your district, in which you protest the stabilization agreement between the OPM and the AFL.

Thanking you for your cooperation in this regard, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

WESTERN MARYLAND INDUSTRIAL UNION COUNCIL,
Cumberland, Maryland, October 11, 1941.

DEAR SIR: The Western Maryland Industrial Union Council has instructed me to write you expressing our disapproval of any legislation which would freeze wages, and also to protest the action of the Office of Production Management in awarding defense contracts to employers, who employ AFOL workers only.

We think this is a gross discrimination, and I am sure this is not in accord with our true Democratic Traditions.

We believe that contracts should be given both to CIO and AFOL employees alike.

Sincerely yours

JOSEPH BARLEY, *Secretary.*

CC: Copy sent to: Senator Millard Tydings, George Radcliffe and Congressman Katherine Byron.

WESTERN MARYLAND INDUSTRIAL UNION COUNCIL,
Cumberland, Maryland, October 11, 1941.

DEAR SIR: The Western Maryland Industrial Union Council representing 22,000 CIO members wish to register a protest against the stabilization agreement which apparently has been drafted by OPM.

We do not believe it is a practice which is in accord with our fundamental democratic policies to favor any particular group or groups in the awarding of Defense contracts.

We think this is a very gross discrimination, and would appreciate it very much if the OPM of which you are a member would reconsider some of the decisions the Office of OPM has made recently, especially the one in the case of the Currier Lumber Co. of Detroit.

We believe that the companies or contractors employing CIO workers should be given the same consideration as ones using AFOL workers.

Sincerely yours

JOSEPH BARLEY, *Secretary.*

JB: EC

CC: Copy sent To Sidney Hillman.

WESTERN MARYLAND INDUSTRIAL UNION COUNCIL.

Cumberland, Maryland, October 11, 1941.

DEAR SIR: A very serious matter has been called to the attention of this Council, namely the practice of the Office of Production Management in awarding of Defense contracts to employers of AFOL workers and the apparently hostile attitude of OPM toward employers of CIO members. We believe this is discrimination of the worst type and are sure that this practice is not in accord with our fundamental democratic principles.

I am sure that you as the foremost exponent of democracy in the world do not approve of such unfair practices.

I assure you that in our opinion both AFOL employers and CIO employers should be treated alike and no preference shown to either.

The Council also extends best wishes for your continuation of your good health and continued success in your fight for Democracy.

Sincerely yours,

JOSEPH BARLEY, *Secretary.*

CC: President Roosevelt.

OCTOBER 21, 1941.

Mr. SAM BEERS,

Vice-President, Oil Workers International Union,

108 West 8th Street, Fort Worth, Texas.

DEAR SIR AND BROTHER: Thank you very much for sending me a copy of the wire you addressed under date of October 11th to Senator Harry Truman in which you urge that OPM officials be subpoenaed to appear before the Committee Investigating the National Defense Program.

Yours very truly,

A. D. LEWIS, *Chairman.*

[Copy of telegram]

OCTOBER 11, 1941.

Honorable Senator HARRY TRUMAN,

Chairman, Committee Investigating National Defense,

Senate Building, Washington, D. C.:

Our interest your committee investigation suggest O. P. M. and other department officials be subpoenaed by your committee and questioned re their policy with respect to Hillman's stabilization agreement in building industry and Currier Lumber case in Detroit.

SAM BEERS,

Vice President, Oil Workers International Union.

Copy A. D. Lewis, UCWOC.

OCTOBER 21, 1941.

Mr. N. A. ZONARICH,

President, Aluminum Workers of America,

209 Shepard Building, New Kensington, Pennsylvania.

DEAR SIR AND BROTHER: I am in receipt of a copy of a telegram you have addressed to Administrator John Carmody of the Federal Works Agency in which you urge that the Currier Lumber Company be awarded the contract for the defense housing project in Wayne, Michigan.

Thanking you for your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

INTERNATIONAL UNION ALUMINUM WORKERS OF AMERICA,
New Kensington, Pa., October 7, 1941.

Mr. ALLAN S. HAYWOOD,
*Organizing Director, Congress of Industrial Organization,
1106 Connecticut Avenue, Northwest, Washington, D. C.*

DEAR SIR AND BROTHER: Enclosed is a copy of the telegram sent to The Honorable John Carmody, Administrator, Federal Works Agency regarding the Currier Lumber Company in Detroit, Michigan.

With best wishes, I am
Fraternally yours,

N. A. ZONARICH,
President, Aluminum Workers of America.

[Telegram]

OCTOBER 7, 1941.

Honorable JOHN CARMODY,
*Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.:*

Aluminum Workers of America urges that Currier Lumber Company in Detroit be given contract for building houses as that company was lowest bidder. Reliable in every way and employs CIO members of United Construction Workers Organizing Committee. This flagrant discrimination against CIO and its members is of great concern to everyone and contrary to government practices heretofore.

N. A. ZONARICH.

OCTOBER 21, 1941.

Mr. DAVID J. McDONALD,
*Secretary-Treasurer, Steel Workers Organizing Committee,
1500 Commonwealth Building, Pittsburgh, Pennsylvania.*

DEAR SIR AND BROTHER: I am in receipt of your letter of October 11th and the copy of the telegram you have addressed to Senator Harry Truman, in which you request an investigation of the stabilization agreement between the OPM and the AFL.

Mr. Allan S. Haywood has forwarded me a copy of the telegram you sent to Administrator John Carmody of the Federal Works Agency in which you urge the contract for the defense housing project in Wayne, Michigan, be given to the Currier Lumber Company.

Thanking you for your cooperation in this matter, I am
Yours very truly,

A. D. LEWIS, *Chairman.*

STEEL WORKERS ORGANIZING COMMITTEE,
Pittsburgh, Pa., October 11, 1941.

Mr. A. D. LEWIS,
*Chairman, Construction Workers Organizing Committee,
Fifteenth and Eye Streets NW., Washington, D. C.*

DEAR DENNIE: Your telegram to Mr. Murray, requesting a wire to the Truman Committee, Investigating the National Defense Program was referred to my office.

Enclosed is a copy of the wire I sent to Senator Harry Truman.
Very truly yours,

DAVID J. McDONALD,
Secretary-Treasurer, Steel Workers Organizing Committee.

[Telegram]

OCTOBER 11, 1941.

Senator HARRY TRUMAN,
*Chairman, Special Committee Investigating National Defense Program,
Senate Office Building, Washington, D. C.:*

The Steel Workers Organizing Committee is requesting investigation of situation affecting stabilization agreement in the building industry wherein such

agreement has resulted in collusive understandings between the A. F. of L. and OPM. This being particularly true in the Currier Lumber case. This discriminatory agreement worked out in violation of the law of decency and the law of the land necessitates a complete examination of the facts by your committee.

DAVID J. McDONALD,

Secretary-Treasurer, Steel Workers Organizing Committee.

[Copy of telegram to Mr. Allan Haywood]

PITTSBURGH, PA., Oct. 7, 1941.

JOHN CARMODY,

Administrator, Federal Works Agency,

North Interior Building, Washington, D. C.:

We urgently request that Currier Lumber Company in Detroit be given contract for building houses in defense project in that city. This company was lowest bidder, reliable in every way and employs CIO members of the United Construction Workers Organizing Committee. This flagrant discrimination against the CIO and its members is of grave concern to everyone and contrary to all Government practices heretofore.

STEEL WORKERS ORGANIZING COMMITTEE,

DAVID J. McDONALD, *Sec'y-Treas.*

Charge SWOC.

[Telegram]

OCT. 8, 1941.

HON. JOHN CARMODY,

Adm., F. W. A.,

North Interior Bldg., Wash., D. C.:

Insist that Currier Lumber Company be given contract in Detroit as they were lowest bidder and also because this is in line with government practice. If this contract is let to another concern it will only be because of downright discrimination against C. I. O. construction workers which cannot be tolerated.

IRWIN L. DESHETLER,

Int. Pres., Fed. of Glass, Ceramic and Silica Sand Workers,

Room 1603, 85 E. Gay St., Columbus, Ohio.

Charge Room #417.

OCTOBER 7, 1941.

MR. JOHN F. CARMODY,

Administrator, Federal Works Agency,

Washington, D. C.

DEAR SIR: We insist that the Currier Lumber Company of Detroit be given the contract for building the houses for which they were the lowest bidder. We have information that this company is reliable in every way and employs CIO members of the United Construction Workers Organizing Committee.

Your failure to grant the contract to this company could only be construed as a flagrant discrimination against CIO members and their Union. Such an act would be contrary to the policy and practices of Government agencies.

Please advise us of the action that you take to correct this grave injustice.

Very truly yours,

LEWIS ALAN BERNE,

International President.

139 SOUTH MAIN STREET, ST. ALBANS, VT., October 8, 1941.

MR. ALLAN S. HAYWOOD,

Director of Organization, C. I. O.,

1106 Connecticut Avenue NW., Washington, D. C.

DEAR SIR AND BROTHER: I have your telegram of recent date relative to the discrimination against the Currier Lumber Company of Detroit, Michigan by the Federal Works Agency, et al. As requested by you, I forwarded the following telegram to the Honorable John Carmody:

"I register an emphatic protest at unfair and discriminatory treatment accorded Currier Lumber Company, Detroit, Michigan and its employees members of United Construction Workers Organizing Committee (C. I. O.) in the matter of contract for houses in defense program. If equity and justice prevail in this matter the Currier Company will get the contract. The principle involved is of grave concern to the entire C. I. O." (Postal Telegraph)

I have been following this case and other similar cases with interest and anything that our organization can do to help set the O. P. M. right in their flagrant discrimination against the United Construction Workers Organizing Committee will be done willingly.

Fraternally yours,

CECIL V. CRAWFORD,

President, United Stone and Allied Products Workers of America, C. I. O.

PORTLAND INDUSTRIAL UNION COUNCIL,
Portland, Oregon, October 16, 1941.

Mr. A. D. LEWIS,
Chairman, U. C. W. O. C.,
15th and Eye Streets, Washington, D. C.

DEAR SIR AND BROTHER: I am enclosing a copy of a letter sent by the Portland Industrial Union Council in protest of the discrimination of CIO Construction Workers.

Letters were sent to President Roosevelt, Sidney Hillman and to our Congressmen.

On behalf of the Council, I wish to extend our thanks and appreciation to you for keeping us informed of these developments. You may rest assured that we will cooperate and assist in any way possible.

Sincerely and Fraternaly yours,

CHARLES ROSS, *Secretary.*

OCTOBER 16, 1941.

President ROOSEVELT,
White House, Washington, D. C.

DEAR MR. PRESIDENT: Mr. A. D. Lewis, Chairman of the United Construction Workers Organizing Committee, CIO., has called to our attention that only recently a contractor who employs members of his organization was denied the contract on a housing project because of the fact that he employed members of the CIO.

We certainly cannot countenance this discrimination against members of the CIO, and we know that the entire citizenry of the country will not relish the idea in the least, when it becomes known that this particular contractor was more than \$400,000 lower than his next competitor. The members of the CIO find themselves in a very peculiar position. They are denied the opportunity to do the job, and yet they are asked to pay to make up the difference because someone else does the job.

We understand that the basis for asking the workers to pay an additional \$400,000 is the so-called stabilization agreement reached between the Office of Production Management and the Building Trades Department of the American Federation of Labor. This is another of the many instances wherein the OPM has operated as a recruiting agency for the AFL. We are beginning to wonder if the OPM is serving National Defense or the interest of an individual organization.

The Portland Industrial Union Council, representing the CIO membership in the city of Portland, Oregon vigorously protests this unwarranted discrimination of CIO members and also the unnecessary expense to the citizenry as a whole, because of that discrimination.

We urge Mr. President that you use your good office to see that there is not a repetition of such a scandalous incident. We feel that if such machinations are allowed to continue, the morale of the entire country, will suffer.

Respectfully yours,

CHARLES ROSS, *Secretary.*

CONGRESS OF INDUSTRIAL ORGANIZATIONS, REGIONAL OFFICE,
Kansas City, Missouri, October 9, 1941.

Mr. A. D. LEWIS,
*Chairman, U. C. W. O. C.,
 Fifteenth & Eye Streets NW., Washington. D. C.*

DEAR MR. LEWIS: Acting upon your suggestion in your letter under date of September 29, 1941, I have written to Sidney Hillman, President Roosevelt, and the Missouri Senators and Congressmen in regard to the situation of the Currier Lumber Company of Detroit, Michigan. Enclosed you will find copy of the letter written to these people, and I hope the same will meet with your approval.

Respectfully yours,

NEIL BEAM,
Regional Director C. I. O.

OCTOBER 6, 1941.

HON. FRANK D. ROOSEVELT,
White House, Washington D. C.

SIR: I was shocked to learn that during the conference in the office of the Federal Works Agency between representatives of the United Construction Workers Organizing Committee, a representative of the Currier Lumber Company of Detroit which was the low bidder on a F. W. A. project in the City of Detroit, and John Carmody, Administrator of the Federal Works Agency, a grave question of public policy was involved in the letting of this Government contract for the building of Defense homes in the City of Detroit, brought about because of the so-called Hillman stabilization agreement.

This office has been advised that the Federal Works Agency was not a party to the so-called stabilization agreement between O. P. M. and the Building Trades Department of the American Federation of Labor. John Carmody himself stated that he had no knowledge, nor, so far as he knew, did any of his representatives have any knowledge of the making of this so-called agreement. Yet, in spite of this, he admitted that the F. W. A. was going to comply with the provisions of this agreement.

The agreement, so far as I have been able to determine after a careful perusal of the same, provides certain policies on the part of the Federal Government with respect to wages, hours and working conditions of men employed upon National Defense projects. It also provides for the creation of a Board of Review to interpret the provisions of the agreement. In my judgment, this Board of Review has authority to interpret the agreement on questions in dispute with respect to wages, hours and working conditions of the employees of any Federal project connected with National Defense. The agreement does not, in my judgment, give authority to the Board of Review to determine whether a contractor under wage agreement with either the C. I. O. or the A. F. of L. shall be awarded a contract for the completion of any Federal project. However, in the instance of the three hundred Defense houses in the City of Detroit, this Board of Review has conducted star-chamber hearings on the question of whether the Currier Lumber Company of Detroit, which was the low bidder by four hundred thousand dollars, is to be awarded this contract, and the sole crime committed by the Currier Lumber Company, so far as I have been able to determine, is that they signed a wage agreement with the U. C. W. O. C. and thereby insulted the leaders of the Craft Unions of the A. F. of L.

Mr. Currier of the Currier Lumber Company advised the Federal Works Agency that he was willing to provide a completion bond. He has on file with the Federal Works Agency on account of the financial condition of his company, which proves beyond question his financial ability to carry through the job to completion. He informed this agency that he had sufficient employees on his regular annual payroll who were competent to do all the work necessary to complete the job. Yet, the mere fact that the company is under wage agreement with the C. I. O. has caused a delay in the awarding of the contract and considerable expense to the Currier Lumber Company.

I challenge the right of the Federal Works Agency or the office of the O. P. M. to deny the awarding of this contract to the Currier Lumber Company of Detroit and insist that the time has arrived for the administrators of the affairs of our Government to give considerable thought to the legality of the manner in which these public contracts are being awarded.

The housing project in question, in Wayne County, Michigan, according to my understanding, was bid twice. The first time it was let out on bids, the bids submitted were so far above the appropriation that they were all rejected and the project was again proposed for bids and the Currier Lumber Company was some four hundred thousand dollars below the next lowest bidder, who happened to be an A. F. of L. contractor. The bid by the Currier Lumber Company was within the appropriation for the job and I am sure that with definite evidence of financial and physical ability to complete the job, the protection of the taxpayers' money demands that this contract be awarded to the lowest responsible bidder, who, in this instance, is the Currier Lumber Company of Detroit, Michigan.

May I inquire as to whether or not the citizens of this country can be assured that our administrators are not going to be brow-beaten by irresponsible and so-called labor leaders whose sole interest is to bleed both the Government and their membership and who are attempting to control, through threats and intimidation, the letting of contracts by our Federal Government.

Respectfully yours,

NEIL BEAM,
Regional Director, C. I. O

[Charge to N. ME. B. A. 315 Machinists Bldg.]

[Telegram]

OCT. 7, 1941.

HON. JOHN CARMODY,
*Administrator, Federal Works Agency,
North Interior Bldg., Washington, D. C.*

Strongly urge that Currier Lumber Company in Detroit be given contract for building houses. He was the lowest bidder, reliable in every way, and employs CIO members of the United Construction Workers Organizing Committee.

S. J. HOGAN,
President, National Marine Engineers Beneficial Assn.

[Telegram]

OCTOBER 7, 1941.

Honorable JOHN CARMODY,
*Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.*

Urge you use your good offices in seeing that Currier Lumber Company, Detroit, be given contract for building houses since they were lowest bidder, are reliable in every way and employ CIO members of United Construction Workers Organizing Committee. If bid is not considered we will deem it discrimination of CIO members.

MORRIS MUSTER,
*International President, United Furniture Workers of America,
261 5th Ave., New York City.*

NATIONAL MARITIME UNION OF AMERICA,
October 7, 1941.

Hon. JOHN CARMODY,
*Administrator, Federal Works Agency,
North Interior Building, Washington, D. C.*

Denial of contract award to Currier Lumber Company of Detroit lowest bidders for defense housing project at Wayne, Michigan, because company employs members of CIO United Construction Workers Organizing Committee is flagrant violation of all Government practises of competitive bidding. This action contrary to all trade union principles is direct attack against CIO and its member-

ship and is detrimental to national defense. We urge you use your good offices to discontinue immediately such discriminatory practises.

JOSEPH CURRAN,
*President, National Maritime Union,
Vice President, Congress of Industrial Organizations.*

MARLBROOK HOTEL,
Buena Vista, Va., October 20, 1941.

Mr. A. D. LEWIS,
*Chairman, United Construction Workers
Organizing Committee, Washington, D. C.*

DEAR SIR AND BROTHER: Find enclosed copy of letter mailed to Senator Truman protesting the action of OPM regarding the Defense Housing Project.

Sincerely yours,

WALTER SHUEY,
Field Representative UMWA, District 50.

HOTEL MARLBROOK,
Buena Vista, Va., October 20, 1941.

Senator TRUMAN,
Washington, D. C.

DEAR SENATOR TRUMAN: In regards to the investigation of the Defense Housing Program, I urge you to expose completely the action of Mr. Sidney Hillman, pertaining to the OPM favoritism toward the AFL Building Trades, concerning a housing project at Wayne, Michigan.

A full explanation is demanded of Mr. Hillman, as his action to date is in complete violation of the Wagner Act.

Sincerely yours,

WALTER SHUEY,
Field Representative UMWA, District 50.

OCTOBER 20, 1941.

Mr. YELVERTON COWHERD,
*Secretary-Treasurer, Alabama State Industrial Union Council,
717 Comer Building, Birmingham, Alabama.*

DEAR SIR AND BROTHER: I am in receipt of your letter of October 9th signed by Mr. William Mitch and yourself. I note with interest the enclosure in your letter addressed to all local unions in the Alabama area in which you request that they communicate with government officials protesting the stabilization agreement between the government and the A. F. of L.

Yours very truly,

A. D. LEWIS, *Chairman.*

OCTOBER 20, 1941.

Mr. WILLIAM MITCH,
*President, Alabama State Industrial Union Council,
717 Comer Building, Birmingham, Alabama.*

DEAR SIR AND BROTHER: I am in receipt of your letter of October 9th signed by Mr. Yelverton Cowherd and yourself. I note with interest the enclosure in your letter addressed to all local unions in the Alabama area in which you request that they communicate with government officials protesting the stabilization agreement made between the government and the A. F. of L.

Yours very truly,

A. D. LEWIS, *Chairman.*

ALABAMA STATE INDUSTRIAL UNION COUNCIL,
Birmingham, Ala., October 9, 1941.

Mr. A. D. LEWIS,
Chairman, United Construction Workers Organizing Committee,
United Mine Workers Building, Washington, D. C.

DEAR SIR AND BROTHER: Enclosed you will find copy of letter in response to yours of September 29. This letter has been sent to 223 local unions of the CIO in the Alabama area.

You ought to get results so far as this area is concerned.

With best wishes, we are

Fraternally yours,

WILLIAM MITCH, *President*.
YELVERTON COWHERD, *Secretary-Treasurer*.

ALABAMA STATE INDUSTRIAL UNION COUNCIL,
Birmingham, Alabama, October 9, 1941.

To All Affiliates, Alabama State Industrial Union Council.

GREETINGS: Chairman A. D. Lewis, of the CIO Construction Workers Union advises us of a very grave situation with respect to the letting of contracts for Government housing.

We are cited to a specific incident where the Federal Works Agency has refused to award a contract to the Currier Lumber Company in Detroit which was fully qualified and would meet all specifications on the bid, and their bid was \$400,000.00 below the next lowest bidder.

The Currier Lumber Company, or the lowest bidder by \$400,000.00, is under contract with CIO construction workers and the next lowest bidder was an A. F. of L. contractor.

This is a gross injustice against working people who are to buy these houses and it means that they will have to make payments over a period of 11 years longer than they would have made had the low bidder with CIO labor gotten the contract.

This is a gross discrimination against CIO construction workers and we request you to communicate your condemnation of this policy immediately to:

Honorable Franklin D. Roosevelt, President of the United States, White House, Washington, D. C.

Honorable Sidney Hillman, Office of Production Management, Washington, D. C.

and to all Alabama Senators and Congressmen.

We will appreciate receiving copies of any letters you send.

Sincerely and fraternally,

ALABAMA STATE INDUSTRIAL UNION COUNCIL,
WILLIAM MITCH, *President*.
YELVERTON COWHERD, *Secretary-Treasurer*.

OCTOBER 18, 1941.

Mr. STEPHEN PETRUCCI,
President, New Haven Industrial Union Council,
9 1/2 Brown Street, New Haven, Connecticut.

DEAR SIR AND BROTHER: Thank you very much for your telegram of October 14th in which you state that the New Haven Industrial Union Council has gone on record as opposing the action of Sidney Hillman with regard to the Currier Lumber Company of Detroit, Michigan.

With every best wish, I am

Yours very truly,

A. D. LEWIS, *Chairman*.

[Telegram]

NEW HAVEN, CONN., October 14, 1941.

Mr. A. D. LEWIS,
United Mine Works Bldg, Washington, D. C.:

The CIO New Haven Industrial Union Council has voted to go on record as being definitely opposed to Sidney Hillman's actions in the Currier case and has

so notified President Roosevelt and Mr. Hillman and all Congressmen and Senators from the State of Connecticut. With fraternal best wishes and good luck,

STEPHEN PETRUCCI,
President CIO New Haven Union Council.

OCTOBER 13, 1941

Mr. PETER CAMPBELL,
CIO Regional Director, 258 Starks Building, Louisville, Kentucky.

DEAR SIR AND BROTHER: I am in receipt of your letter of October 8th and the enclosures. I note with interest the resolution adopted by the convention of the Kentucky State Industrial Union Council on October 3rd, in which they protest the discriminatory action against the Currier Lumber Company, an affiliate of the United Construction Workers Organizing Committee.

Thanking you for your cooperation, I am
Yours very truly,

A. D. LEWIS, *Chairman.*

CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Louisville, Ky., October 8, 1945.

Mr. A. D. LEWIS,
*Chairman, Construction Workers Organizing Committee,
Fifteenth and Eye Streets NW., Washington, D. C.*

DEAR SIR AND BROTHER: I am enclosing for your information a resolution adopted by the Fourth Annual Convention of the Kentucky State Industrial Council on October 3rd., 1941, which may be of interest to your Department.

You will also find certain correspondence with Federal Works Administrator, John Carmody and his evasive answer, all of which are on record in your office during the months of May and June 1938.

Newspaper clippings bearing upon subject are attached, and I am in hopes that same will be available in any hearings that you may have during that investigations of this travesty of the Wagner Act.

Yours fraternally,

PETER CAMPBELL, *Regional Director.*

RESOLUTION

Whereas: Since 1938 The United States Housing Authority has given tacit approval to what we believe to be an unlawful coalition between the local Housing Authority of Louisville, Kentucky and the Louisville Building and Construction Trades Council, affiliated with the American Federation of Labor, wherein none but members of said council would be given employment in the construction of more than Nine Million Dollars of slum clearing projects in this area, and

Whereas: Repeated protests by the C. I. O. against this open discrimination against C. I. O. workers in construction failed to receive even the faintest attention of the government officials and letter of protest direct to Federal Works Administrator John Carmody dated August 27, 1940 was met with an evasive answer, and

Whereas: It now develops that this same administrator refuses to consider the bid of the Currier Lumber Company of Detroit upon a F. W. A. project in that city, despite the fact that it was \$400,000 lower than the next lowest bid, therefore be it

Resolved, That we call upon President Roosevelt and Congress of the United States to make immediate investigation and put a stop to such unfair discrimination on the part of the Federal Works Administrator and enforce the Wagner Labor Relations Law without fear or favor, and be it further

Resolved, That copies of this resolution be forwarded to the President of the United States, copy to Chairman A. D. Lewis of the Construction Workers Organizing Committee and copy to the press.

Adopted October 3, 1941, Ky. State Council CIO Convention.

[Copy]

AUGUST 28, 1940.

Mr. A. D. LEWIS,

*Chairman, United Construction Workers Org. Committee,
Fifteenth and Eye Streets NW., Washington, D. C.*

DEAR SIR AND BROTHER: I am enclosing copy of a letter sent today to John Carmody of the Federal Works Administration setting forth the contract under which the American Federation of Labor were successful in establishing closed shops on the United States Housing Projects in Louisville, Kentucky, and call your attention particularly to the so-called agreement made by Louisville Building Construction Trades Council with the representative of the Housing Authority John J. McCurry. All of which is contrary to statement issued by Carmody as quoted in the Construction Workers News on the 15th.

This is for your information and will probably bring some response from Mr. Carmody and commit him to some definite policy on future projects.

Yours fraternally,

PETER CAMPBELL, *Regional Director.*

[Copy]

AUGUST 27, 1940.

Mr. JOHN CARMODY,

*Federal Workers Administrator, U. S. Department of Housing,
Washington, D. C.*

DEAR MR. CARMODY: The August 15th issue of the United Construction Workers News quotes you as denying statement attributed to the American Federation of Labor saying that "the United States Housing Authority had 'an understanding' with craft unions by which they would be allowed to work on government housing projects", and it was pointed out by officials of the Housing Authority "that such understanding would be entirely illegal and contrary to all government practice to take sides as between unions."

For your information and with a view of clarifying, if possible, misunderstanding as to procedure, I am enclosing copy of an understanding or "agreement" given out on the nine million dollar housing project in Louisville, Kentucky on May 19th, 1938, headed "Officials, Trade Council reach an agreement"—"Seeking to obviate danger of labor trouble on the \$9,000,000 slum clearing projects, the Municipal Housing Commission has obtained an agreement from the Louisville Building Construction Trades Council, representing 24 crafts, that no stoppage of work will occur over wages or jurisdiction disputes, Mayor Scholtz announced Thursday. The agreement was negotiated by John J. McCurry of the Labor Relations Department of the Housing Authority, provider of the money, A. G. Kaiser and P. H. Reardon, president and secretary respectively, of the council, and the commission."

The negotiation of this Agreement or "understanding" has resulted in what I believe to be the most unfair and unlawful cases of discrimination, not only against the C. I. O., but against any and all workers who were not affiliated with the Louisville Building and Construction Trades Council.

An impartial investigation will disclose that, under this so-called agreement or "understanding" there was built up one of the most damnable rackets ever known in this locality, and that under its provisions common labor was hijacked into paying \$35.00 permit fee called "initiation" and that \$10.00 positively must be laid on the line before applicant would be assigned to a job. Loan shark agents were present, in office of union to advance \$10.00 to expectant workers. It developed that \$2.00 per day was checked off and about 20 days later workers was laid off or discharged and the racketeering process applied to a new "sucker".

In the skilled crafts the procedure was the same, only that "initiation" or permit charge was up to \$100.00 cash in advance being the requisite in some cases. It is currently reported that the down payment on application to the common laborers union alone number more than (3,000) three thousand.

It would be presumptuous on my part to assume that such cases as this are general or that your office is party to any such procedure and I would be deeply grateful to you if you would enlighten me as to how I can prevent a recurrence if and when other projects are to be opened up.

Thanking you for an early response, I am

Very sincerely,

PETER CAMPBELL, *Regional Director.*

[Copy]

LOUISVILLE BUILDING AND CONSTRUCTION TRADES COUNCIL

Louisville and Vicinity

LOUISVILLE, KY.

To the United States Housing Authority, and the Local Housing Authority of Louisville, Ky.:

DEAR SIR: At the last regular meeting of the Louisville Building Trades Council, held May 16, 1938, the following resolution was adopted:

Whereas: The Louisville Building Trades Council of Building and Construction Trades Department of American Federation of Labor, recognizes the importance to labor of the low rent housing project which is to be built under the loan contract entered into between the United States Housing Authority and the Local Housing Authority of this city, and

Whereas: The Council desires to cooperate in every way with the low rent housing program: Now therefore be it

Resolved: That the Building Trades Council adopt the policy of completing the work on the low-rent housing project for which money has been made available by the United States Housing Authority, at the wage rates which are in effect at the time the construction work is commenced on the project, and be it further

Resolved: That the Building Trades Council and its affiliated Local Unions, agree that there will be no stoppage of work because of a jurisdictional dispute until the Building Trades Department of the American Federation of Labor, the United States Housing Authority and the local Housing Authority have had a reasonable opportunity to adjust the dispute.

/s/ A. G. KAISER, *President.*

Attest:

/s/ P. H. REARDON, *Secretary.*

FEDERAL WORKS AGENCY,
Washington, September 6, 1940.

Mr. PETER CAMPBELL,

*Regional Director, Congress of Industrial Organizations,
258 Starks Building, Louisville, Kentucky.*

MY DEAR MR. CAMPBELL: I am sure nobody connected with the United States Housing Authority approves either of loan sharks or racketeers of any sort. I am, therefore, giving Administrator Strans an opportunity to see your letter.

The fact of the matter is that USHA has had an excellent labor relations record. Wholly apart from the fact that the program has created work opportunities for thousands and thousands of skilled workmen in various parts of the country at prevailing wages, the projects have been singularly free from strife and singularly well supported by labor groups everywhere.

Sincerely,

JOHN M. CARMODY, *Administrator.*

[From Louisville Times, May 19, 1938]

HOUSING JOB STRIKES OUT—OFFICIALS, TRADE COUNCIL REACH AGREEMENT

Seeking to obviate danger of labor trouble on the \$9,000,000 slum-clearance projects, the Municipal Housing Commission has obtained an agreement from the Louisville Building and Construction Trades Council, representing twenty-four crafts, that no stoppage of work will occur over wages or jurisdictional disputes. Mayor Sholtz announced Thursday.

The agreement was negotiated by John J. McCurry of the Labor Relations Department of the Housing Authority, provider of the money, A. G. Kaiser and P. H. Reardon, president and secretary, respectively, of the council, and the commission.

WAGE HIKES BARRED

It provides that wages prevailing when work starts will not be hiked and that no work will be halted until all groups interested have had "reasonable

opportunity to adjust" any dispute which might arise. The plan assures compliance with the Wagner-Steagall Act that the cost per room in the projects shall not exceed \$1,000. Hourly wages for various trades involved range from 50 cents to \$1.50. Approximately 800 workmen are expected to be employed on the projects.

At the same time, officials said loss to Louisville of approximately \$11,000 a year from taxes on property in the East Central area set aside for low-cost housing will be offset, in a long-range view, by improved sanitation and lowered cost of hospitalization; lessening of crime, a reduced cost of policing and a reduced fire hazard.

\$47,000 FOR SERVICES

That is the view of A. J. Stewart, chairman of the Municipal Housing Commission, in explaining the setting of an arbitrary value of \$47,000 on services the city will furnish tax-free to tenants of the buildings to be erected in the project. Cost of furnishing the city's services was set at about \$75,000 a year.

The city was moved to furnish this service to the project as a match to the \$158,000 annual subsidy the Government undertakes to furnish for maintenance.

STRIKE DEMAND IS CLOSED SHOP—W. P. A. RECOGNITION SOUGHT BY 25 QUITTING

Efforts by union representatives to force the Works Progress Administration to recognize a closed shop on Federal Relief Projects here resulted Wednesday in twenty-five men quitting work on the University of Louisville Law School building and the Iroquois Amphitheater.

Spokesmen for the Building Trades Council, 301 S. Fifth, said the walkout followed a resolution by the executive board stating that union men cannot work on relief jobs with relief workers in the same trade who are not members of a union.

State W. P. A. Administrator George H. Goodman said the Federal relief program is concerned with an individual's need above the question of union membership.

Union officials said there would be no picketing of either project. Except for the vacancies, work went on uninterrupted.

AGREEMENT NEAR TO END W. P. A. STRIKE—CITY RELIEF BUREAU TO CERTIFY UNION MEN

[From Louisville Courier-Journal, June 10, 1938]

William C. Burrow, State Commissioner of industrial relations, announced Thursday night that an agreement is near between W. P. A. and union officials to end a strike called last week by the Louisville Building Trades Council on all Jefferson County W. P. A. projects.

Union officials have charged that, in work on the University of Louisville, the Louisville Amphitheater, the Jefferson County Court House and Bowman Field projects, George H. Goodman, State W. P. A. Administrator, was using an inferior brand of labor.

SAY CONTRACTS ENDANGERED

This would have forced the Building Trades Council to abrogate its contracts with the General Contractors Association, and segregate union and non-union labor, the union leaders said.

In a meeting with W. P. A. officials, Mayor Joseph D. Scholtz and union spokesmen, in the Mayor's office, Mr. Burrow stated that the W. P. A. agreed to employ union labor, provided the Municipal Relief Bureau will certify union members to the Federal agency.

Patrick H. Reardon, secretary of the Building Trades Council, said that, in the past, the P. W. A. has done this type of work, but that the W. P. A., in assuming the P. W. A. projects, had displaced competent craftsmen in favor of unskilled workmen and also eliminated the contractors on building construction.

TO CERTIFY UNION MEN

Solon F. Russell, City Welfare Director, agreed to have the Municipal Relief Bureau interview ten union members per day until the W. P. A. has filled its requirements on the four projects. The W. P. A. will continue the use of non-union members until they can be gradually replaced by union men, Mr. Burrow said.

Mayor Scholtz said he is not interested in the matter officially, because he has no control over differences on Federal projects, but he said he is interested in charges that the Municipal Relief Bureau has refused to recommend a union card bearer for a relief job.

"There was no tangible proof that the charges have any basis in fact," the Mayor said, "but I will get at the bottom of them, and if anyone knows positively that a man was refused certification, I will take proper action."

OCTOBER 21, 1941.

Mr. JOHN GRIGSBY,

*Secretary-Treasurer, Kentucky State Industrial Council,
254 Starks Building, Louisville, Ky.*

DEAR SIR AND BROTHER: This will acknowledge receipt of your letter of October 13th with the enclosed resolution unanimously adopted by the Kentucky State Industrial Council. The cooperation of CIO members in your area is greatly appreciated.

Yours very truly,

A. D. LEWIS, *Chairman.*

KENTUCKY STATE INDUSTRIAL COUNCIL,

Lexington, Ky., October 13, 1941.

Mr. A. D. LEWIS,

*Chairman, Construction Workers Organizing Committee,
United Mine Workers Building, Washington, D. C.*

DEAR SIR AND BROTHER: Enclosed herewith is copy of a resolution which was unanimously adopted by the Officer and delegates of the Kentucky State Industrial Council C. I. O. which assembled in Louisville, Kentucky, on Friday and Saturday October 3rd and 4th.

Very truly yours,

JOHN GRIGSBY, *Secretary-Treasurer.*

RESOLUTION

Whereas: Since 1938 The United States Housing Authority has given tacit approval to what we believe to be an unlawful coalition between the local Housing Authority of Louisville, Kentucky and the Louisville Building and Construction Trades Council, affiliated with the American Federation of Labor, wherein none but members of said Council would be given employment in the construction of more than Nine Million Dollars of slum clearing projects in this area, and

Whereas: Repeated protests by the C. I. O. against this open discrimination against C. I. O. workers in construction failed to receive even the faintest attention of the government officials and letter of protest direct to Federal Works Administrator John Carmody dated August 27, 1940 was met with an evasive answer, and

Whereas: It now develops that this same Administrator refuses to consider the bid of the Carrier Lumber Company of Detroit upon a F. W. A. project in that city, despite the fact that it was \$400,000 lower than the next lowest bid, therefore be it

Resolved: That we call upon President Roosevelt and Congress of the United States to make immediate investigation and put a stop to such unfair discrimination on the part of the Federal Works Administrator and enforce the Wagner Labor Relations Law without fear or favor, and it is further

Resolved: That copies of this resolution be forwarded to the President of the United States, copy to Chairman A. D. Lewis of the Construction Workers Organizing Committee and copy to the press.

Adopted October 3, 1941, Kentucky State Council C. I. O. Convention.

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
Washington, D. C., October 14, 1941.

A. D. LEWIS,
Chairman, U. C. W. O. C.,
15th and Eye Streets NW., Washington, D. C.

DEAR DENNIE: I am closing herewith a carbon copy of a letter sent me by our representative, John J. Carney regarding a resolution adopted by Local 231, the original of which was sent to the Hon. Harry S. Truman. This is for your information.

Sincerely yours,

C. RUSSELL TURNER.

OCTOBER 11, 1941.

HON. HARRY S. TRUMAN,
United States Senate, Washington, D. C.

DEAR SIR: At a special meeting of Local #231, U. C. W. O. C., held in Jackson on Saturday October 11 to discuss the matter of the award of the contract on the Wayne Defense Housing Project, which has been given much publicity in the Michigan Press and known as the P. J. Currier job, a resolution was passed that this organization communicate with you and also both of the Michigan Senators and Michigan Congressman.

This organization would be pleased to have you, as the Chairman of the Senate Defense investigating committee to see that fair play is given Mr. P. J. Currier in the award of the above mentioned contract as he is rightfully and fairly entitled to it.

It is our contention that the O. P. M. officials should stop stalling and pay no attention to phoney threats that a strike on all defense work in the Detroit area will be called by the A. F. L. if this job is awarded to the Currier Co.

The Government of the United States should show these gentlemen who threaten to call strikes that they will not be intimidated by any labor group, either the A. F. L. or C. I. O. on any defense work, this organization believes that both groups should consider themselves Americans first and subordinate all other feelings.

Hoping you will lend your valuable assistance to see that fair play is given in the award of this contract to the Currier Co., we are,

Very truly yours,

JOHN J. CARNEY,
Business Representative.

CC to Sen. Brown.
CC to Sen. Vandenberg.
CC to Congressman Michener.

OCTOBER 16, 1941.

MR. A. E. STEVENSON,
Secretary, Cleveland Industrial Union Council,
1000 Walnut Avenue, Cleveland, Ohio.

DEAR SIR AND BROTHER: Thank you very much for your courtesy in sending me a copy of the resolution passed unanimously by the delegates of the Cleveland Industrial Union Council at its meeting of October 8th, in which you urge that the Currier Lumber Company be awarded the contract for the housing project in Wayne, Michigan.

Yours very truly,

A. D. LEWIS, Chairman.

CLEVELAND INDUSTRIAL UNION COUNCIL,
Cleveland, Ohio, October 9, 1941.

MR. A. D. LEWIS,
Chairman, United Construction Workers Organizing Committee,
1106 Connecticut Ave. NW., Washington, D. C.

DEAR SIR AND BROTHER: The enclosed resolution was, after a supporting discussion, adopted by unanimous vote of the delegates of the C. I. U. C. at the meeting of October 8.

Copies with strong-covering letters have been sent to the Hon. John Carmody and Sidney Hillman. We will continue to give our support to the efforts of the U. C. W. O. C. wherever we will be able to do constructive work.

Sincerely and fraternally yours,

CLEVELAND INDUSTRIAL UNION COUNCIL.
By A. E. STEVENSON, *Secretary*.

FEDERAL AGENCIES DISCRIMINATION AGAINST U. C. W. O. C.

Whereas, The C. I. O. has, as a result of insistent demands from workers in the construction industry, chartered a union for all workers in this industry and have enrolled thousands of members in all sections of the country, and

Whereas, The U. C. W. O. C., the union in question, has not only accepted but has promulgated the most modern methods and techniques for the construction of homes for the American working people in contrast to the craft unions of the A. F. of L. thereby reducing the cost of housing to American working people, and

Whereas, The Currier Lumber Company of Detroit, Michigan have been denied a contract to construct a housing project in that city for the Federal Works Administration on which they were the low bidder by \$400,000 simply because they have a signed contract with the UCWOC, and

Whereas, this discrimination against the C. I. O. and its membership by a Federal Agency stems from a recent so-called "stabilization agreement" between the OPM and the Building Trades Department of the A. F. of L., and

Whereas, such an agreement has not stabilized the Construction Industry but to the contrary has established the means of discriminations and higher costs to the American people by attempting to perpetuate an outmoded principle of unionism that has in the past and will in the future be the basis of jurisdictional warfare between craft unions in the industry, therefore be it

Resolved, that the C. I. U. C. in regular meeting assembled does reiterate its protest against this so-called stabilization agreement and requests its immediate dissolution, and be it further

Resolved, That we call on the Hon. John Carmody, Administrator of the Federal Works Agency to take the necessary action to see that the Currier Lumber Co. is given the contract for building the Detroit Housing Project on which they were the low bidder.

Copies to: John Carmody, Sydney Hillman, Ass. Director OPM, A. D. Lewis, Chairman UCWOC.

OCTOBER 18, 1941.

Mr. WILLIAM DALRYMPLE,

CIO Regional Director,

404 Woodlark Building, Portland, Oregon.

DEAR SIR AND BROTHER: Thank you for sending me a copy of the letter which you have circulated among the CIO local unions in Oregon in which you urge that they take action to protest the policy of the stabilization agreement between the government and the A. F. of L.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

CONGRESS OF INDUSTRIAL ORGANIZATIONS,

Portland, Oregon, October 7, 1941.

To the Officers and Members of All CIO Locals in Oregon:

GREETINGS: Enclosed is copy of letter from A. D. Lewis, Chairman, United Construction Workers Organizing Committee, to all CIO organizations as well as copy of letter sent by Mr. Lewis to the Honorable John Carmody, Administrator, Federal Works Agency.

These letters are self-explanatory and your complete cooperation is urged on this matter. This is a most important situation as it effects every member of

the CIO and we trust you will comply with the request to write letters to President Roosevelt, to Mr. Hillman and to your Senators and Congressmen.

Yours fraternally,

WM. DALRYMPLE,
Regional Director, CIO, State of Oregon.

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
AFFILIATED WITH CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D. C., September 29, 1941.

To all CIO International Unions, Regional Directors and Industrial Union Councils:

GREETINGS: On behalf of the United Construction Workers Organizing Committee, I wish to call your attention to a very grave situation that has arisen in connection with the letting of defense construction contracts due to the hostile attitude of the Office of Production Management to the Congress of Industrial Organizations.

You will recall that I recently advised you about the effect of a so-called stabilization agreement for the construction industry that was secretly drafted by Sidney Hillman, OPM Associate Director, and the Building Trades Department of the American Federation of Labor. We now have convincing evidence from various parts of the country that this agreement is nothing more or less than an attempt by Mr. Hillman to throw all defense construction contracts to the AFL Building Trades union. This shocking betrayal of the CIO and of the public interest is being exposed in the press of the nation. We ask that you take action to acquaint all CIO affiliates with this gross discrimination against the UCWOC and that you communicate in the strongest terms your condemnation of this policy. Letters should be addressed to President Roosevelt, to Mr. Hillman and to your Senators and Congressmen. This office would appreciate receiving copies of any letters you send.

The accompanying letter explains how this policy sanctioned by the OPM is operating to deprive a substantial contractor who employs UCWOC members of an important government contract on which he was the lowest bidder in the sum of more than \$400,000. This means that the workers who will occupy and purchase these homes must make payments over a period of eleven years longer than they would otherwise have had to do.

This is but one of many instances in which the OPM has operated as a recruiting agent for the AFL. It is time for the CIO to ask whether the OPM is serving national defense or the interests of the racket-ridden craft unions of the Building Trades Department of the AFL.

In the case of a recent steel company construction job, where 300 UCWOC members were employed, the OPM intervened to force our men off and to employ AFL members from outside the local community in their place. On this particular job at Martins Ferry, Ohio, contractors under wage agreement with the UCWOC were advised that it would be useless for them to bid since OPM would not allow any contracts to be awarded to them.

This policy of requiring everybody in defense industry to pay tribute to the AFL Building Trades is being prosecuted by OPM regardless of the true interest of national defense, savings for the taxpayers, efficiency of operation, or the basic right of American workers to choose themselves which union they wish to join.

I am sure that it is only necessary for me to communicate these facts to you to assure that you will take appropriate action in the interest of the CIO and the interest of national defense.

Sincerely and fraternally yours,

[S] A. D. LEWIS, *Chairman.*

UNITED CONSTRUCTION ORGANIZING COMMITTEE,
AFFILIATED WITH CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D. C., September 29, 1941.

Hon JOHN CARMODY,

Administrator, Federal Works Agency,

North Interior Building, Washington, D. C.

DEAR JOHN: I was shocked, during the conference in your office between representatives of the United Construction Workers Organizing Committee, a repre-

representative of the Currier Lumber Company of Detroit which was the low bidder on a FWA project in the city of Detroit, and yourself, to learn that a grave question of public policy was involved in the letting of this Government contract for the building of Defense homes in the city of Detroit, brought about because of the so-called Hillman stabilization agreement.

This office has been advised that the Federal Works Agency was not a party to the so-called stabilization agreement between OPM and the Building Trades Department of the American Federation of Labor. You, yourself, stated that you had no knowledge, nor so far as you knew, did any of your representatives have any knowledge of the making of this so-called agreement. Yet, in spite of this, you admitted that the FWA was going to comply with the provisions of this agreement.

The agreement, so far as I have been able to determine after a careful perusal of the same, provides certain policies on the part of the Federal Government with respect to wages, hours and working conditions of men employed upon National Defense projects. It also provides for the creation of a Board of Review to interpret the provisions of the agreement. In my judgment, this Board of Review has authority to interpret the agreement on questions in dispute with respect to wages, hours and working conditions of the employees of any Federal project connected with National Defense. The agreement does not, in my judgment, give authority to the Board of Review to determine whether a contractor under wage agreement with either the CIO or the A. F. of L. shall be awarded a contract for the completion of any Federal project. However, in the instance of the three hundred Defense houses in the city of Detroit, I find this Board of Review conducting star-chamber hearings on the question of whether the Currier Lumber Company in Detroit, which was the low bidder by four hundred thousand dollars, is to be awarded this contract, and the sole crime committed by the Currier Lumber Company, so far as I have been able to determine, is that they signed a wage agreement with the UCWOC and thereby insulted the leaders of the Craft Unions of the A. F. of L.

Mr. Currier of the Currier Lumber Company advised you that he was willing to provide a completion bond. He has on file in your office an account of the financial condition of his company, which proves, beyond question, his financial ability to carry through the job to completion. He informed you that he had sufficient employees on his regular annual payroll who were competent to do all the work necessary to complete the job. Yet, the mere fact that the Company is under wage agreement with the CIO has caused a delay in the awarding of the contract and considerable expense to the Currier Lumber Company.

I challenge the right of the Federal Works Agency or the officials of OPM to deny the awarding of this contract to the Currier Lumber Company of Detroit and insist that the time has arrived for the administrators of the affairs of our Government to give consideration to the legality of the manner in which these public contracts are being awarded.

You know, John, among my friends and acquaintances, John Carmody has always been held up as a shining example of a fearless Administrator with the public interest at heart. That has been my own feeling with regard to you over a period of years when we have met at various times to discuss problems of mutual interest.

The housing project in question, in Wayne County, Michigan, according to my understanding, was bid twice. The first time it was let out on bids, the bids submitted were so far above the appropriation that they were all rejected and the project was again proposed for bids and the Currier Lumber Company was some four hundred thousand dollars below the next lowest bidder who happened to be an A. F. of L. contractor. The bid by the Currier Lumber Company was within the appropriation for the job and I am sure that with definite evidence of financial and physical ability to complete the job, the protection of the taxpayer's money demands that this contract be awarded to the lowest responsible bidder, who, in this instance, is the Currier Lumber Company of Detroit, Michigan.

Reference was made in our conversation to the threat of a general strike by A. F. of L. Unions in the city of Detroit should this contract be let to the Currier Lumber Company. May I inquire as to whether or not the citizens of this Country can be assured that our Administrators are not going to be brow-beaten by irresponsible and so-called Labor leaders whose sole interest is to bleed both the Government and their membership and who are attempting to control, through threats and intimidation, the letting of contracts by our Federal Government.

Yours very truly,

A. D. LEWIS, *Chairman.*

LETTERS FROM UCWOC ORGANIZERS AND OFFICERS OF UCWOC LOCALS

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
Baltimore, Md., October 20, 1941.

Mr. A. D. LEWIS.

Chairman, U. C. W. O. C.,

Fifteenth and Eye Sts. NW., Washington, D. C.

DEAR SIR AND BROTHER: Kindly find enclosed copy of letter which we have mailed to the following persons.

Pres. Franklin D. Roosevelt

Senator Harry Truman S. D. I. C.

Senator George L. Radcliffe Maryland

Congressman John H. Meyer "

Congressman Thomas D'Alesandro "

Mr. Sidney Hillman O. P. M.

Trusting that the investigation will clean out this nefarious racket, bring about the impeachment of office of this notorious Benedict Arnold,

Kindest best wishes,

Faternally,

HARRY W. HAUF.

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
Baltimore, Md., October 20, 1941.

Mr. A. D. LEWIS,

Chairman, U. C. W. O. C.,

15th and Eye Sts. NW., Washington, D. C.

DEAR MR. LEWIS: Why does a suffering, over-taxed American public have to continue to carry the burden of inefficient public servants, as has been brought to the attention of the nation in a statement by the Federal Works Administrator withholding a contract to build homes for defense workers in the Detroit area from a bona fide company that was in a position to save our government \$400,000 and the individual purchasers, \$1,300 each?

The saving, incidently, is not at the expense of the construction worker or the quality of the house. The only question arising is, whether the work shall be done by CIO or AFL construction workers.

The demand to withhold the awarding of this contract was made by Mr. Sidney Hillman, Associate Director of OPM who gave us the following lame excuse, "The Building Trades Department of the AFL might denounce its stabilization agreement with OPM, adding cost to the pending construction program. Civil war may break out in the construction field."

Has the stabilization agreement between OPM and the BTB of the AFL worked out as they figured it would? Absolutely not! It has been the means of tying up government work all over the country on defense projects that are so essential to our program of preparedness. The leaders of the BTB of the AFL have never had, nor will they ever have control over their affiliated trades. So what guarantee can they offer to unison?

Since this so-called stabilization has been tried, what are the results? Strikes all over the country have been called by various crafts connected with the BTB of the AFL because their memberships will not agree with the agreement. The only recourse of the leaders is to acclaim unauthorized stoppage of work. The thought of this agreement is not fair either to the rank and file of labor, nor is it fair to the contractor to be compelled to pay a different rate of pay and hours on private contracts. Why does not the OPM play fair with the Industry that is the pulse of this nation's construction.

Why does the OPM endeavor to stifle progress?

For 59 years the construction industry has been dominated by a labor union which has proven its unworthiness by its tactics in driving out members who refused to be coerced by the organization's methods of operation. Racketeering in the industry has driven skyrocketing the price of everything connected with construction. Yet we find the "progressive" OPM turning its back on something that it "agrees would save construction agencies millions of dollars, but might cause a revolution in the building industry."

Why do we have to tolerate this situation when we have something much better not only in the construction industry, but in labor organization—the CIO.

This wonderful labor organization was formulated to organize the unorganized, regardless of race, color or creed and much of its membership came from people

who had been members of organized labor, but who through oppression had dropped their membership and had endeavored to go it alone, until the CIO was born. The CIO gave to these oppressed people that which they are entitled to in the United States of America, freedom to join a union of their own choosing.

Repetition of history, the cycles in which we travel, bring about a condition that governs us. Prior to 59 years ago, we had a union called the Knights of Labor, which if history is correct, was doing a rather good job until the organization's leader was given a political position. The Knights of Labor was displaced by the AFL and after three score years, what happened to labor? Raacketeering, corruption, only on a larger scale; induction of unworthy, so-called labor leaders into political office, thereby selling the rank and file members into bondage.

Thanks to the Divine Providence, we have at this time another union of mankind that will take up the fight for the masses and classes—The Congress of Industrial Organizations.

Very truly yours,

HARRY W. HAUF.

OCTOBER 17, 1941.

Honorable FRANKLIN DELANO ROOSEVELT.

President of the United States.

National Capitol, Washington, D. C.

DEAR MR. PRESIDENT: We respectfully urge you to investigate the secret stabilization agreement entered into by Sidney Hillman, Associate Director General of the OPM and the American Federation of Labor, which is being written about in the press of the nation, and talked about in CIO meetings and by small business men as an act of collusion and bold discrimination on the part of big business, the American Federation of Labor and Mr. Hillman.

This especially in view of the fact that the Wayne County Michigan Defense Homes Project is being with-held from the lowest responsible bidder, The Currier Lumber Co., who bid \$400,000 lower than the next lowest bidder.

From all information available to us, the Currier Lumber Co., should be awarded the contract as it will save each defense worker who buys a home more than \$1,000.

This matter involves a very grave situation, and indirectly millions of workers, as well as one of public policy, public trust and confidence.

If justice is done, the Federal Works Agency will award this contract to the Currier Lumber Co., who employs upward of 1,200 CIO members of the building trades.

We have confidence that you will see that justice is done.

Respectfully,

J. R. HARRELSON, *Secretary.*

By UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE.

LOCAL 73—GARY, IND.

OCTOBER 17, 1941.

Honorable WM. T. SCHULTE.

Congressman First District, State of Indiana.

DEAR CONGRESSMAN: We have urged the Honorable President of the United States to investigate the secret stabilization agreement entered into by Sidney Hillman, Associate Director General of the OPM and the American Federation of Labor, which is being written about in the press of the nation, and talked about in meetings of workers and small business men as an act of collusion and bold discrimination on the part of big business, the American Federation of Labor and Mr. Hillman.

It seems evident now that this agreement is nothing more or less than a means to throw all defense construction contracts to the AFL. This is a betrayal of public interest, of public trust and confidence. It indirectly affects millions of workers.

We respectfully direct your attention to the Wayne County, Michigan, Defense Homes Project, which is being with-held from the lowest bidder, The Currier Lumber Co., who bid \$400,000 lower than the next lowest bidder. From all information available to us, The Currier Lumber Co., should be awarded the contract. Their bid will save the taxpayers money and it will save each defense worker who buys a home more than \$1,000.

It appears that the only reason for withholding this contract from the Carrier Lumber Co., is that they recently signed a wage agreement with the CIO. If this is the reason, then the OPM has become a recruiting agent for the AFL, and is not serving national defense.

As our Congressman from the First Indiana District we ask that you use your good offices to see that justice is done.

Respectfully,

J. R. HARRELSON,
Secretary, CIO Building Trades Local 73.

OCTOBER 17, 1941.

INDIANA STATE INDUSTRIAL UNION COUNCIL,

241 West Maryland Street, Indiana Indiana.

WALTER FRISBIE,

Sec'y-Treas.

DEAR SIR AND BROTHER: There is attached herewith informative data relative to a serious situation that has developed and which is being written about in the press of the nation.

If the action of the OPM is allowed to go unchallenged the entire structure of the CIO will be affected.

Therefore we urge you to take appropriate action and pass it along to your affiliates.

Fraternally yours,

J. R. HARRELSON, *Secretary.*

AGREEMENTS

The policy of the CIO is for open and above board discussion and action. Secret agreements when exposed usually prove that the betrayer rode on the shoulders of the betrayed, while working in collusion with the opposition.

Betrayal of the public interest is being exposed in the press of the nation, as well as in the press of the CIO.

The situation that has arisen is serious and affects every tax-payer and citizen, and if allowed to persist may demoralize the whole defense program, because it places the government in the position of holding-up defense workers.

The Federal Works Agency of which Col. Lawrence Westbrook is Director, has been doing a splendid job in launching Defense Housing Projects on a mutual home ownership plan. These homes are built for the government by private contractors.

BUT NOW WHAT HAPPENS?

Recently there came to light, the fact that Sidney Hillman, Associate Director General of the Office of Production Management, and the American Federation of Labor had drawn a secret agreement known as a stabilization agreement for the construction industry.

This so-called Hillman-AFL agreement is supposed to provide certain policies on the part of the Federal Government with respect to wages, hours and working conditions of men employed upon National Defense projects. It also provides for a BOARD OF REVIEW to interpret the provisions of the agreement in respect to disputes regarding wages-hours and working conditions of the employees of any Federal project connected with National Defense. . . . But the BOARD OF REVIEW now attempts to exercise authority in granting contracts.

The evidence pouring in from various parts of the country indicates that this so-called Hillman stabilization agreement is nothing more or less than an attempt by Mr. Hillman to throw contracts to the AFL building trades unions.

Why a secret agreement? Why star-chamber sessions?

The whole thing is a shocking betrayal of the public interest.

It is a shocking betrayal of every government department interested in Defense Housing.

It is a shocking betrayal of the majority of organized labor, and of the CIO by Mr. Hillman who is supposed to be an officer of the CIO. Mr. Hillman has placed the OPM in the position of a recruiting agent for the racket-ridden craft unions and has brought about a condition that is costly to the government.

\$400,000.00. ?

Some time ago the government asked for bids on a 300 unit housing project in Wayne County Michigan, (near Detroit). The bids submitted were so far above the appropriation that they were all rejected. Bids were asked for again and the Currier Lumber Co., of Detroit bid and was some \$400,000 below the next lowest bidder the company is financially sound, could comply with all the requirements including a completion bond, has had an annual pay-roll of over 1000 experienced and high grade mechanics, but the awarding of the contract has been held up. It was discovered that the above mentioned BOARD OF REVIEW was holding star-chamber hearings on the question of who was to be awarded the contract. WHY?

The Currier Lumber Co., had just recently signed a contract with Local 368 of the United Construction Workers Organizing Committee—CIO and thereby had insulted the leaders of the craft unions of the AFL. The Currier bid is more than \$1000. lower than the next lowest bid. On the basis of these figures the defense workers will have the houses paid 11 years sooner than otherwise.

CIO FORCED OFF STEEL JOB

At a steel company job in Martins Ferry Ohio where there are 300 CIO members, contractors under wage agreement with the UCWOC were advised that it would be useless for them to bid since OPM would not allow any contracts to be awarded to them thereby forcing CIO men off the job to have AFL members from outside the local community come in, in their place. . . . This policy of requiring everybody in defense industry to pay tribute to the AFL building trades is being prosecuted by the OPM regardless of the interest of National Defense, savings for the taxpayers, efficiency of operation, or the basic right of American workers to choose for themselves which union they wish to join. This condition cannot be allowed to go unchallenged.

Write your protests to the President of the United States, your Congressmen and Senator.

Demand that the Currier Lumber Co., be rightfully be given the contract

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE LOCAL 73.

OCTOBER 20, 1941.

Mr. E. H. SHEA,

*President, UCWOC Local Union No. 98,
9210 Petrosky, Detroit, Michigan.*

DEAR SIR AND BROTHER: I wish to thank you for sending me the copy of the letter you have addressed to Honorable Harry Truman of the United States Senate, in which you protest against the stabilization agreement between the OPM and the A. F. of L.

Yours very truly,

A. D. LEWIS, *Chairman.*

[Carbon copy to A. D. Lewis]

OCTOBER 11, 1941.

HON. HARRY S. TRUMAN,

Chairman, Committee Investigating Defense Contractors, Washington, D. C.

DEAR SENATOR: We wish to commend you on your stand on the Wayne, Michigan Housing Project—Office of Production Management versus Currier Lumber Company of Detroit.

We firmly believe it is time modern methods were used in home building, especially low cost homes for working men in low income brackets.

The differential in the bids of the A. F. L. contractor and the C. I. O. contractor definitely proves that outmoded method of home building must be discarded if the people of this country are ever going to be housed properly.

Instead of putting mechanics out of work by using advanced methods of home construction, we contend that employment will be increased by increasing production brought about by producing homes that can be purchased by anyone according to their capacity to pay.

We also would like to find out, if possible, who gave Mr. Hillman of the OPM the authority to license the A. F. L. to do all Defense Construction.

The Wagner Labor Act, as I understand it, gives a person a right to join a union of his own choosing, but it does not say that if a person joins the United Construction Workers, C. I. O., that he will be denied his Constitutional rights, which in this instance, is not being permitted to work on Defense work.

Also, qualified contractors are being denied the right to contract for this government work because they employ members of the United Construction Workers.

We are asking your continued support in this matter until the Currier Lumber Co., which is the low bidder in the Wayne Project, be awarded the job.

Sincerely yours,

E. H. SHEA.

OCTOBER 20, 1941.

Mr. LEON ZWICKER,

*Director, New York Regional Office, UCWOC,
817 Fisk Building, 250 West 57th Street, New York City.*

DEAR SIR AND BROTHER: I am in receipt of your letter of October 10th and the enclosed copy of a letter you addressed to President Roosevelt in which you protest the policy of the stabilization agreement made between the O. P. M. and the A. F. of L.

Thanking you for your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE,
Washington, D. C., October 10, 1941.

Mr. A. D. LEWIS,

*Chairman, United Construction Workers,
Fifteenth and Eye Streets, N. W., Washington, D. C.*

DEAR SIR AND BROTHER: Enclosed herein please find copy of letter sent to President Roosevelt, Federal Works Agency, Department of Justice, Senator Wagner, Senator Mead and Senate Committee Investigating Defense Expenditures.

Fraternally yours,

LEON ZWICKER, *Regional Director.*

OCTOBER 9, 1941.

President FRANKLIN D. ROOSEVELT,

White House, Washington, D. C.

HONORABLE SIR: The Congress of Industrial Organizations, through its affiliate, United Construction Workers Organizing Committee has embarked upon a program to bring to millions of workers the benefits of modern trade Unionism. It has fought and will continue to fight all corrupt labor practices until the complete extinction of every racketeering element from Trade Unionism.

Our program is modern in scope and it is our firm belief that the housing program for the United States of America cannot be solved without the use of modern methods of construction, unhampered by a policy which dooms one-third of the Nation to sub-standard housing.

Because of the defense program, millions of defense workers are now threatened with a critical housing problem. The only solution to their problem is modern housing. We have received information that because of a so-called Stabilization Agreement executed between Sidney Hillman of the Office of Production Management and Building Trades Department of the American Federation of Labor, no bids will be accepted from bidders having wage agreements with this Organization, regardless of the provisions of the National Labor Relations Law.

We hold that this agreement is legally wrong, morally wrong and economically wrong, and that the people who executed the same on behalf of the United States Government should be removed from office. No clearer instance of the usurped power of the Office of Production Management can be found, than the refusal to permit an award to the Currier Lumber Company of Detroit, Michigan. The facts, briefly, are that Currier Lumber Company is under a wage agreement with the United Construction Workers, C. I. O. It submitted a bid in the amount of \$979,000 to erect 300 houses for defense workers. The next bid was \$431,000

higher. The Office of Production Management then advised the Federal Works Agency not to accept this bid.

We respectfully submit that from these facts the following conclusions are inevitable.

1. That it is impossible for defense workers to obtain proper housing without exorbitant cost. The persons responsible for this condition are those who render only lip service to the program.

2. One-third of the nation will continue to be ill-housed unless the Government of the United States takes the initiative in modern housing and accepts the bid.

3. By virtue of the action of the officials of the Office of Production Management in granting to the American Federation of Labor the so-called Stabilization Plan, millions of negro workers are absolutely barred from any participation in the defense program.

4. The so-called Stabilization Plan definitely thwarts the National Labor Relations Act. It deprives the right of the American Worker to select a Union of his choice free from domination and interference by the employer.

5. That the monopolistic practices of the American Federation of Labor in collusion with Employers are continued and even encouraged.

It is my belief that the only solution possible to this problem is a complete and thorough investigation of the Construction Industry involving the defense program; not only with respect to the particular Union involved, but also with definite regard to the employer's activity.

Respectfully yours,

LEON ZWICKER, *Regional Director.*

CC: Federal Works Agency, Washington, D. C.

Department of Justice, Washington, D. C.

Senator Robert F. Wagner, Senate Office Building, Washington, D. C.

Senator James Mead, Senate Office Building, Washington, D. C.

Senate Committee Investigating Defense Expenditures, Washington, D. C.

(The following letter was sent also to: Senator William H. Smathers, Senator Warren W. Barbour, Representative Charles A. Wolverton, Representative Elmer H. Wene, Representative William H. Sutphin, Representative D. Lane Powers, Representative Charles A. Eaton, Representative Donald H. McLean, Representative J. Parnell Thomas, Representative Frank C. Osmer, Jr., Representative Gordon Canfield, Representative Fred A. Hartley, Jr., Representative Albert L. Vreeland, Representative Robert W. Kean, Representative Mary T. Norton, Representative Edward J. Hart, Mr. Sidney Hillman)

OCTOBER 8, 1941.

MR. FRANKLIN D. ROOSEVELT,

President, United States.

Washington, D. C.

MR. PRESIDENT: Certain officials of the Office Production Management have accepted a rather strange doctrine to the general effect that workers in certain industries (belong) to certain labor groups, regardless of their own wishes.

Sidney Hillman's labor division put forward its so-called stabilization agreement for the construction industry so that the AFL might monopolize the construction field. This attempt by Hillman and OPM to fasten the craft union stronghold on workers in the construction industry, is what the United Construction Workers Organization Committee, C. I. O., has fought against since its existence and will continue to do so.

The notorious record of the building trades union, AFL, is a matter of record. Instead of fighting for the workers, it has chosen the easy way, back-door agreements, kick-back rackets and other shady devices and you know the AFL has lost the confidence of the nations workers.

The United Construction Workers Organization Committee, C. I. O., now challenges Mr. Sidney Hillman and his OPM office and the AFL building trades. We appeal to you to stop this discrimination against C. I. O. workers and contractors.

Hoping that you will use your good office and influence to eliminate any further discrimination, I remain,

Sincerely yours,

JAMES A. MURPHY,

Regional Director, U. C. W. O. C.

OCTOBER 10, 1941.

MR. LEROY THOMAS,

UCWOC General Organizer, 369 South Maple Street, Akron, Ohio.

DEAR SIR AND BROTHER: I wish to acknowledge with thanks the copy of the letter which you have addressed to Mr. Sidney Hillman, Associate Director of the Office of Production Management, in which you protest the action of the OPM in signing the stabilization agreement with the American Federation of Labor.

Yours very truly,

A. D. LEWIS, *Chairman.*

OCTOBER 7, 1941.

MR. SIDNEY HILLMAN,

Washington, D. C.

DEAR SIR & BRO.: I wish to bring to your attention the agreement made between OPM and the A. F. of L. building Trades. This is one of the worst acts of betrayal that I have ever known a member of CIO to commit.

As an Executive Board member of CIO you are well aware of the fact that the CIO in convention set up the UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE to operate in the building Industry. I cannot understand your present action as an associate member of OPM in concurring in action to exclude Brother members of CIO from defense Jobs. This is one of the most arbitrary acts that any Government Agency has ever taken with the consent and approval of an Officer of the CIO. The Housing situation in the city of Detroit easily explains what we as members of CIO are faced with if this so called agreement is allowed to stand.

When you as a member of CIO take or approve of such action that will exclude CIO construction workers from defense jobs I feel that you have forfeited any claim to membership in this great organization of ours the CIO.

And I wish to inform you that if this agreement is allowed to stand I shall do everything in my power as a true member of C. I. O. to bring about your removal from the rolls of CIO.

LEROY THOMAS,

General Organizer, UCWOC in Akron.

OCTOBER 10, 1941.

MR. ARTHUR G. PILON,

UCWOC General Organizer, 33½ North Gay Street, Baltimore, Maryland.

DEAR SIR AND BROTHER: Thank you very much for the copy of the letter you have addressed to Mr. Sidney Hillman, in which you protest the discriminatory action of the Office of Production Management toward the United Construction Workers Organizing Committee.

Appreciating your cooperation, I am

Yours very truly

A. D. LEWIS, *Chairman.*

BALTIMORE, MD., October 9, 1941.

MR. SIDNEY HILLMAN,

*Associate Director, Office of Production Management,**Social Security Building, Washington, D. C.*

DEAR SIR AND BROTHER: I vividly recall your statements in 1937, when you said that labor in this country could never be organized under the policy and leadership of the American Federation of Labor; that the sooner the Amalgamated Clothing Workers of America and other unions, who were in sympathy with the industrial form of organization would get out of the American Federation of Labor and organize the unorganized, all labor would be benefited just that much sooner.

More than 5 million working men and women followed your advice which has brought to them increased wages, security of employment and economic freedom. We are now shocked beyond measure to read in our daily press, that you alone are using your position with the United States Government to disrupt and nullify the industrial form of organization in building a monopoly for the American Federation of Labor Craft Unions at the expense and destruction of the C. I. O. Unions in giving all contracts in the building trades to the American Federation of Labor, when there are jurisdictional strikes 365 days in the year. Your recent

action in denying a contract to a low bidder, which bidder is under contract with the C. I. O., is not only a union breaking blow struck at the C. I. O., but it also will cost each purchaser of the homes to be constructed, an additional \$1,300. which to a working man is a large sum indeed and is indefensible on your part.

The position you hold as a government servant should make you neutral in matters between labor organizations; also your position as an advocate in the founding of the C. I. O. Affiliate should be that every other C. I. O. Affiliated Union get a fair chance for its existance in all matters with the United States Government, in which they may have an interest. We cannot find words strong enough to protest against your recent action in denying the building contract to the Currier Lumber Company of Detroit, Michigan.

We hope that your conscience will trouble you to the extent that you will retract your C. I. O. Union breaking activities and return to the policies that you advocated in 1937, 1938 and 1939, which has brought untold blessings to the millions that labor.

Fraternally yours,

ARTHUR G. PILON,
G. O. U. C. W. O. C.

OCTOBER 18, 1941.

MR. JAMES A. MURPHY,

UCWOC General Organizer, 17 William Street, Newark, New Jersey.

DEAR SIR AND BROTHER: Thank you very much for your letter of October 13th and the enclosed copies of letters you addressed to President Roosevelt and members of the Senate and House of Representatives in which you protest the stabilization agreement made by Sidney Hillman between the government and the A. F. of L.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

NEW JERSEY STATE CONSTRUCTION WORKERS DISTRICT CONFERENCE,
UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE, C. I. O.,
Newark, New Jersey, October 13, 1941.

MR. A. D. LEWIS,

Chairman, UCWOC, 15th and Eye Streets, Washington, D. C.

DEAR SIR AND BROTHER: In answer to your letter of September 29th, with reference to Sidney Hillman and his OPM deal with the A. F. L. building trades.

You will find copies attached of letters I have written to President Roosevelt, Members of the Senate and Congress and Hillman.

Hoping that it will have some effect in breaking down this lousy deal and the betrayal of C. I. O. by Hillman and his associates, I remain;

Fraternally yours,

JAMES A. MURPHY,
Regional Director, U. C. W. O. C.

[From Newark Sunday Call, October 12, 1941]

BIG STINK

Thurman Arnold and other government prosecutors were heroes of so-called liberals when they were going after corporate monopolists, millionaire income tax evaders, thieving utility magnates and crooked bankers.

But when the same government gets after labor leaders for equally reprehensible acts, Mr. Arnold is denounced as "a finger man" against labor, an "anti-labor lobbyist" and a "tool of reactionary interests."

What has Mr. Arnold done to arouse this vehemence and lead the American Federation of Labor to demand his removal, as it is expected to do at its convention tomorrow?

He has insisted that labor unions and their leaders adhere to the same standards of honesty that the law requires of other citizens. He has argued that, if it is in the public interest to prevent a corporation from doing certain things, it

is in the public interest to prevent labor unions from doing them. He has prosecuted grafting labor leaders.

Typical of the rascals whose prosecution makes the AFL froth are the precious pair, George E. Browne and William Bioff, now being tried on federal racketeering charges. The government says they used their positions as leaders of a great theatrical union solely as a weapon for extorting money from film companies.

Nicholas M. Schenck, president of Loew's, Inc., has testified that they exacted \$50,000 a year from Loew's and each of three other film companies by threatening strikes.

Leaders of other unions, operating on more modest lines, have gone to prison for similar offenses. Other racketeers, notorious but uncaught, sit placidly in the honored places of the AFL.

The government has stepped in because the AFL has refused to clean its dirty house. It is largely because the AFL nourishes this stinking mess that the CIO has progressed. Whatever faults the CIO possesses, toleration of dishonesty is not among them.

[From Newark News, October 9, 1941]

THE PUBLIC SHOULD KNOW

Ironworkers get \$2 an hour. They are entitled to pay for actual time worked over a two-hour minimum employment. This is according to the Ironworkers International Constitution.

Comes now "Jimmy" Lowe, business agent for Newark Local No. 11, who decides that he will defy the International's instructions to his local and do as he pleases in Newark.

He is attempting by threats to force contractors to ignore the International's working rules. He has stopped ironworkers on several jobs and they are now shut down to enforce his demands.

On one job, he refused to furnish an ironworker to do one hour's work unless the contractor agreed to pay \$19 to the ironworker for doing it, claiming he is a foreman over himself.

WE WANT THE PUBLIC TO KNOW—

The International advised that its general working rules were in effect in all of Northern Jersey. Contractors are obligated to follow them. They cannot permit intimidation by any local business agent to nullify them.

We Invite the active support of the Building Public.

We Have already requested co-operation from the International.

ASSOCIATED CONTRACTORS OF ESSEX COUNTY.

This is another of a series of advertisements to acquaint the public of our relations with the Ironworkers.

OCTOBER 21, 1941.

Mr. HOWARD SECOR,

UCWOC General Organizer,

215 North Sixth Street, LaCrosse, Wisconsin.

DEAR SIR AND BROTHER: I am in receipt of a copy of the very interesting letter you addressed under date of October 11th to the President of the United States in which you protest the policy of the stabilization agreement between the OPM and the AFL.

Appreciating your cooperation, I am

Yours very truly,

A. D. LEWIS, *Chairman.*

LA CROSSE, WISCONSIN, *October 11, 1941.*

PRESIDENT ROOSEVELT,

Washington, D. C.

DEAR SIR: You as a leader of our great country, the good old U. S. A. and a man whom 123,000,000 workers, taxpayers and voters of the United States look upon to protect us and provide jobs for millions of people who want to work, but because of this shocking and discrimination of Mr. Sidney Hillman and the AFL building trades union, the members of the CIO who wish to work upon these

government jobs through out the United States must first join the AFL union and pay such gross initiation fees that it is impossible for the average man to get a job in the army camps of which the taxpayers are paying for. Now Mr. Roosevelt, are you going to stand for that kind of discrimination against workers and voters *who* voted you into this job of yours? Have you forgotten that we are the people of the government, for the government and by the government just because we are members of the Congress of Industrial Organization? Now Mr. Roosevelt, I think that you, as a leader should show your color and stop this OPM official who has tried to obtain a monopoly on all construction of the United States Government. The workers themselves are the ones who have the right to determine their own affiliation, not some Bureaucrat in Washington to say what union they shall join. This action is completely contrary to the policy of the National Labor Relations act so we find great leaders of our country who have no respect of laws.

If you will take time out and check up on the Currier Lumber Company of Detroit, Michigan, you will find a saving of \$400,000, if the Currier Lumber Co. build their homes. But the AFL and the OPM says no, the CIO can't build these homes. *Another racket.* And the Martins Ferry, Ohio, contractors were told it would be no use for them to bid since the OPM would not allow contracts awarded to them. *More rackets.*

Mr. Roosevelt, we have Camp McCoy in Wisconsin which the taxpayers of the United States will have to pay for, if it is built, to save democracy, so you do your part in Washington and we will do our part to build it. So please instruct the OPM office to forget this holding up contracts of the CIO and go to work.

HOWARD SECOR.

General Organizer UCWOC, 215 North Sixth Street, La Crosse, Wisconsin.

Copy sent to Mr. Hillman, OPM, Congressman Wm. Stevenson of La Crosse, Senator Wiley of Wis., 5th Dist., Mr. Roosevelt, President of U. S.

OCTOBER 21, 1941.

Mr. JAMES A. MURPHY.

UCWOC General Organizer,

17 William Street, Rm. 202, Newark, New Jersey.

DEAR SIR AND BROTHER: I am in receipt of your letter of October 14th and the replies you received to your letter which you addressed to various Senators and Congressmen in your state. I have read these with considerable interest and I appreciate your sending them to me.

Yours very truly,

A. D. LEWIS, *Chairman.*

NEW JERSEY STATE CONSTRUCTION WORKERS DISTRICT CONFERENCE.

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE, C. I. O.,

Newark, New Jersey, October 14, 1941.

Mr. A. D. LEWIS.

Chairman, UCWOC, 15th and Eye Streets, Washington, D. C.

DEAR SIR AND BROTHER: I am forwarding to you the answers I received from the various senators and congressmen.

Hoping that these letters might have some effect in eliminating some of the discrimination out of Hillmans office.

With best wishes and kindest personal regards, I remain:

Fraternally yours,

JAMES A. MURPHY.

Regional Director, U. C. W. O. C.

[Telegram]

Washington, D. C., October 11, 1941.

JAMES A. MURPHY.

New Jersey State Construction Workers District Conference,

17 William St., Room 202, Newark, N. J.

Received letter of October 8th relative to discrimination of OPM against CIO workers and contractors. Am bringing your letter to attention of Donald M. Nelson, Director of Division of Purchases. Kind regards.

W. WARREN BARBOUR.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 10, 1941.

MR. JAMES A. MURPHY,
U. C. W. O. C., 17 William Street, Newark, N. J.

DEAR MR. MURPHY: I have your letter of the 9th inst. I gather that you have reference to the situation as brought out by the case of the Currier Construction Company.

From my information in the press, this certainly seems to have been a peculiar incident. I believe that a Senate Committee is carefully looking into the matter and I will be interested in studying their report.

Thanking you for writing me and with best wishes, I remain

Very truly yours,

ROBERT W. KEAN.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 13, 1941.

MR. JAMES A. MURPHY,
*Regional Director, U. C. W. O. C.,
17 William Street, Newark, New Jersey.*

MY DEAR MR. MURPHY: This will acknowledge your letter of October 8th, which I have carefully read.

In view of the fact that subcommittee No. 3 of the Military Affairs Committee of the House of Representatives is about to investigate this and other related matters, I am taking the liberty of transmitting your communication to Honorable Charles Faddis, chairman of that subcommittee.

Thanking you for writing me, I am

Sincerely,

J. PARNELL THOMAS.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 10, 1941.

JAMES A. MURPHY, Esquire,
17 William Street, Room 202, Newark, New Jersey.

DEAR MR. MURPHY: I have your letter of the 8th and find I am not in accord with many of the things being done by the OPM. I shall go into the suggestion made in your letter and shall do anything I can which will be in the interests of the workers.

It is a real pleasure to help you.

With personal regards, I am

Very sincerely yours,

D. LANE POWERS.

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C., October 11, 1941.

MR. JAMES A. MURPHY,
*Regional Director, U. C. W. O. C.,
17 William Street, Newark, New Jersey.*

DEAR MR. MURPHY: In reply to your letter of October 8, please be informed that I have today taken up the matter about which you write with Mr. Sidney Hillman and other officers of the Office of Production Management.

Please be assured that I shall make every effort to eliminate the discrimination about which you write.

Very truly yours,

WILLIAM H. SMATHERS, U. S. S.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 10, 1941.

Mr. JAMES A. MURPHY,
Regional Director, UCWOC,
17 William St., Newark, N. J.

DEAR MR. MURPHY: In response to your letter of October 8th, I wish to advise you that I have taken your matter up with the proper persons, and as soon as I receive further word in the matter, I shall notify.

With kind regards, I remain
Sincerely yours,

ALBERT L. VREELAND, M. C.

Mr. E. H. SHEA,
President, UCWOC Local Union No. 98,
607 West Baltimore Avenue, Detroit, Michigan

OCTOBER 21, 1941.

DEAR SIR AND BROTHER: I am in receipt of your letter of October 13th with the enclosed newspaper clippings which I have read with considerable interest.

Thanking you for sending me the clippings, I am
Yours very truly,

A. D. LEWIS, Chairman.

UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE.
Mr. A. D. LEWIS,
Chairman, U. C. W. O. C.,
15th and Eye Streets NW., Washington, D. C.
Monday, October 13th, 1941.

DEAR SIR AND BROTHER: Find enclosed an editorial by Raymond Clapper Commentator and some tart remarks by Mr. Guinan of the Home Builders Assoc' I thought they might be of interest to you.

We certainly have got a lot of front page publicity for the last couple of weeks, that kind of advertising cannot be purchased at any price.

In some articles last week it was described as the now famous Currier case.

Fraternally yours,

E. H. SHEA.

NATIONAL AFFAIRS. BY RAYMOND CLAPPER

WASHINGTON, Oct. 12.—President Roosevelt probably will have to decide whether the defense effort is to be blackmailed by the AFL building trades. That is just about what is involved in the defense housing bid of the Currier Lumber Co., of Detroit. High public policy is involved, and for that reason the case is important enough for Mr. Roosevelt to intervene.

The Government asked for bids on 300 houses for defense workers in Michigan. The first bids were all rejected as unreasonably high, and new bids were advertised. In the second batch appeared a bid by the Currier company, a large and responsible business concern. This bid was about \$3,200 a house. The next lowest bid was about \$4,600 a house.

Currier expects to make a profit. The low price was possible because Currier operates on the prefabrication, mass-production method which Mr. Roosevelt has repeatedly urged as necessary to bring down the outrageously high cost of building small homes by the hand-tailored method. Currier cuts material in mass on an assembly line and puts up the house in a relatively few hours.

So you would think the Government would leap at this chance, first to save a considerable sum of money and second to encourage a step in efficient, economical home building which has been desperately needed, as Mr. Roosevelt himself has often pointed out.

But the Government did not leap at the chance. One of its most conscientious and able officials, Sidney Hillman, labor chief of the Office of Production Management, felt that the opportunity had to be rejected. The plain reason, not in his words but in mine, is that the Government didn't dare to do it because the AFL building trades would sabotage defense construction in retaliation. The AFL people are threatening the Government with retaliation strikes if the Currier bid is accepted.

There seem to be two reasons. One is that the Currier company has a closed-shop contract with the CIO building trades. That, in the eyes of the AFL, is the one thing worse than running a scab shop. The second reason is that the AFL building trades have for years fought prefabrication. They fight anything that would enable a job to be done with one man if two men can be forced onto the job. If a house can be built more cheaply and with less labor cost by the

prefabrication method, then to hell with it. The home builder must hire more men and do it the old-fashioned way.

The AFL building trades have put the Government in a tight spot. Recently the Government entered into a general stabilization agreement with the AFL building trades. The labor leaders agreed not to strike on defense projects, agreed to waive their double time for overtime and to accept time and a half and cut down the penalties on shift work. A board of review was set up to insure adjustment of grievances.

The construction trades have a good record during the defense effort. Hillman says that in only one month has more than 11½ per cent of man-days been lost by strikes. The stabilization agreement is regarded within the Government as a most constructive step and as a notable contribution by labor. Intimations are that the building trades will break this agreement if the Currier bid is accepted.

The Department of Justice has held that under the law the contract cannot be withheld from the Currier company, as it was the lowest responsible bidder. The Government is not flinching now from asking management and industry to fall into line, and is closing down factories because defense needs require the materials. It should not flinch now from meeting this showdown with the building trades.

If AFL unions are taking the patriotic attitude which President William Green says they are, they will not retaliate with sabotage against the Government, which is only doing what is to the best interest of the nation. If, as is less likely, labor is ready to take the arrogant course of retaliating with strike sabotage, then we had better face it now. You don't get anywhere by temporizing with blackmail.

HEAD OF BUILDERS ASSAILS U. S. BAN ON CONSTRUCTION—SKEPTICISM OF MOTIVES PROMPTING CURTAILMENT VOICED BY GUINAN

(By Lafe Allen, Detroit Times Real Estate Editor)

The motives of the federal government in curtailing all new and non-essential public and private construction where it would deplete the supply of defense materials were assailed Saturday by William J. Guinan, executive director of the Builders Association of Metropolitan Detroit, which embraces 523 residential builders in the metropolitan area.

"The builder is somewhat skeptical of the motives behind the latest crack-down from Washington," Guinan declared. "It is a little too timely, and a bit too obviously gives the government a convenient out in the matter of the Currier housing contract."

RULINGS UNCHANGED

(Guinan referred to the decision of federal officials to withhold a low-cost housing contract from the Currier Lumber Company of Detroit because Currier's company is not organized by the AFL. Currier's bid was \$400,000 low, but his company is organized by the CIO.)

"The flash from Washington has not changed a single ruling in the housing field which was not in existence 10 days ago. So why are we informed now that OPM has authority to cancel any public housing project if it feels that the housing project is not necessary for defense or would use too much critical material?"

"Could it be that a very careful analysis by OPM, showing that Detroit needs no public defense housing—and the subsequent cancellation of the Currier award—would rescue the government from its perch on a dangerously swaying labor limb?"

CRITICS CRITICIZED

Guinan declared there had been much criticism from Washington of the motives of any one who criticized any phase of the defense program.

"But what about Washington's motives on this deal?" he demanded. "If the rest of defense activities are tinged with the same odor, the American people are buying the world's record gold brick."

"The builders are just as patriotic as any of the entrenched army of bureaucrats in Washington. They are willing to make any necessary sacrifice. But they object seriously and violently to being further driven by amateur jockeys whose only idea of achieving forward progress is to jerk first on one line and then on another."

EXHIBIT No. 134



This was once a timekeeper's wagon on a road construction job—apparently many years ago. It lay abandoned in a Nankin Township field until 6 months ago when the present family moved in—two adults and one child. The father is employed and has been “looking for something better.” His plan has been to “save up and buy a little place.” He pays no rent here. The wagon has a curtain divider which cuts the interior into two parts. The portion over the wheel on the right-hand side is rigged into a “bunk” for the 12-year-old boy. There is, of course, no electricity, no running water, no sanitation. In the right foreground can be seen part of a feeble attempt to raise vegetables—some cabbages seemed edible.



This shack is located in Nankin Township, less than 2 miles from the Wayne project site. The building is approximately 14 by 17 feet. It houses two children and two adults; one child is 11, the other 9 years of age, both boys. The shack was never intended for a house but has been occupied by the present tenants for 4 months. They refused details on rent. The sheet-metal tepee propped against the tree in the right foreground constitutes all of the sanitary facilities.



Another view of the same shed. None of the windows has any glass left. The chimney is propped precariously on sticks. There is, of course, no electricity, no running water, no plumbing. The box under the window is for wood.



The side wall studding and subfloor of this house had stood bare for several years. About 10 months ago one room was boarded in and covered with tar paper. It is now "home" to a family of three. There is, of course, no plumbing. Heating and cooking are accomplished on one wood burner. This house is slightly more than 1 mile from the Wayne housing project site.



Another view of the same dwelling showing size and other conditions. Note the house in the background, indicating that this miserable housing condition is not existing in a "slum area" but is the result of acute need for housing facilities.



Trailer settlements, too undefined and uncontrolled to be called camps, dot the area around Wayne, Mich. This is typical. No provisions for sanitation are provided. The new garagelike building at the right was built by a trailer occupant who then rented his trailer. He reported he had six prospective tenants in 2 days. The trailer brings \$16 per month rent.



The occupant of this "house" considers himself lucky—his family is "all alone." His rent is \$19 per month. Heat comes from an antique stove. None of the windows has movable sash. One has no glass. There is no plumbing in the structure.



The Polish family which occupies this structure says it stood vacant for many years; was rented about a year ago. It has no plumbing. Inside are two bare rooms. One bedroom contains two double beds; the other room has two single cots. Heat is from a wood burning cook stove.



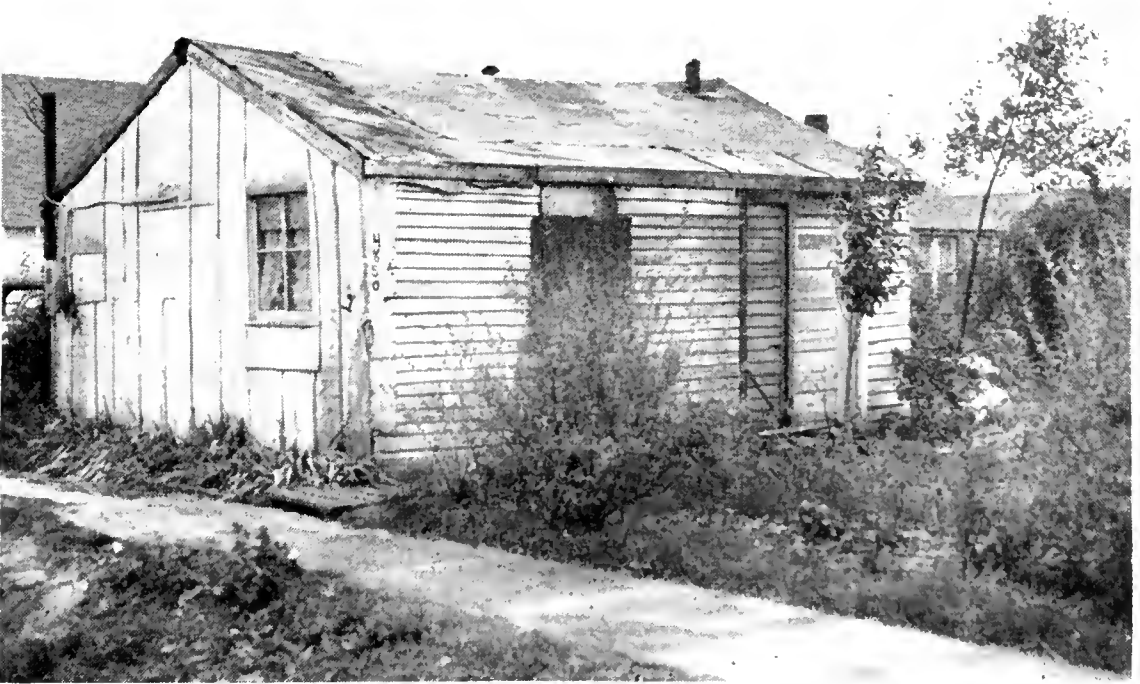
Back view of the same shed; note that the entire rear of the building is made of patches and scraps of old tin roofs and flattened metal cans. The building at the left houses crude privy accommodations and woodshed.



This type structure is common in Nankin Township and areas close to Wayne, Mich. In 2 days of traveling we did not see one vacant. One family of four has occupied this one for 4 months. The father refused specific information but said he is doing "defense work in a factory." He pays \$16 per month rent; "would pay more for a better place."



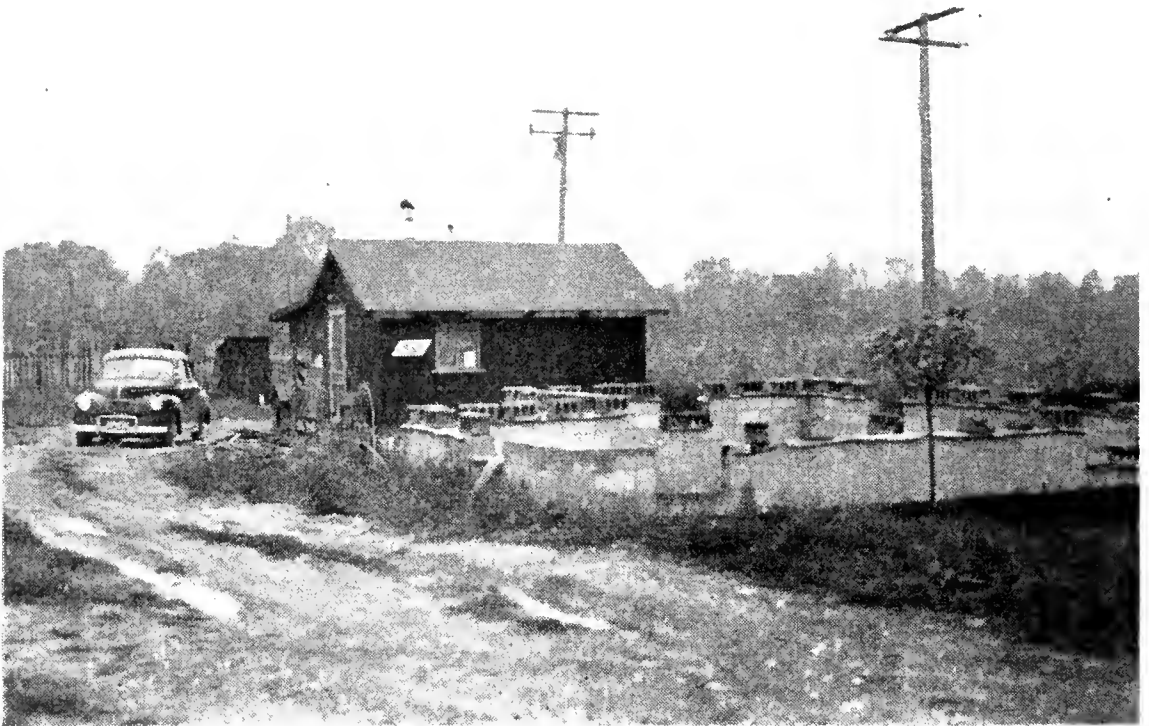
One of the most striking cases is that of a family with six children, who came to the Detroit area from Minnesota last spring and now live in this abandoned schoolhouse about 2½ miles from the site of the proposed Wayne project. This family lived in a tent pitched near the school until fall nights forced them to shelter. They live in one room inside, make use of antique outdoor privies, live under almost unbelievable conditions. Family is not indigent. Father is employed. He said: "Places big enough for us wanted too much rent." Mother tearfully asked that no pictures be made of the interior. One child had become sick and was taken to Eloise Hospital. Notice there is no glass in any window of the building, all openings are stuffed with packing case fragments and old boards. On the opposite side of the building efforts had been made to grow some vegetables.



Bedraggled and sway-backed as it is, this is termed "not bad" by persons who seek housing in the township areas surrounding the western section of Detroit. This one has electricity and one glazed window. It has no running water or plumbing. It houses six persons—three adults and three children. It rents for \$18.50 a month. The tenants said they "would pay more" for something better. The husband is employed and the family is not indigent.



This, too, is a common sight. Occupants couldn't wait for houses to be finished, so roofs were clamped on to foundation walls, and entire families live in the dugouts. This, of course, is clean and new but certainly not conducive to good health. It reflects the vital need for housing facilities quickly.



Another common sight is the temporary tar-paper shack waiting while the owners build another house. Increased costs have slowed this one up. The occupant said he already had requests from persons anxious to rent the "tar paper" as soon as the house is finished. This family is not in the pauper class by any means. They could afford and would like "something better." Note back-yard privy.



The new tenant was just visiting this house when it was photographed. He said he was renting it for \$17.50 a month; considered it a bargain, "I looked all over. This has two bedrooms," was his reaction. Neighbors say the structure was built about 15 years ago; has been vacant for 4 years—never was painted. The roof leaks badly, and foundations appear ready to cave any minute.



Another dugout. This one houses two families, whose cars are parked in front. Both men are employed. The basement stood open for several years; was given a roof about 6 months ago.



This lean-to is now a two-family accommodation housing four children and three adults. It is "rented out" for a total of \$19 a month. Kerosene stoves make the whole lay-out a firetrap. Two privies seen in the picture serve the families. Note the attempt at gardening in the "front yard." The house is wired for electricity, but neither family makes use of it.









EXHIBIT No. 136

WESTERN STATES HOUSING AUTHORITIES ASSOCIATION

RESOLUTION

Whereas, lacking priorities on materials, the low-rent housing program of the USHA will necessarily be brought to a standstill in the very near future, and

Whereas, these housing projects will contribute to the successful operation of our National Defense effort to a greater degree than any other form of residential construction, and

Whereas, it is common knowledge that priorities are now being granted to housing construction of far less importance to defense than housing projects being undertaken by local public-housing authorities, and

Whereas, the impact of defense activities rests upon all income groups, the necessity for providing for the low-income groups becomes even more important than ever before, and

Whereas, the USHA low-rent program is the only method by which standard and sanitary housing may be made available to many low-income families who are vitally important to our National Defense activities, and

Whereas, this type of public housing cannot be continued without priorities.

Now therefore be it resolved that the Western States Housing Authorities Association, representing the seven Western states and composed of representatives from thirty-six local housing authorities, assembled in conference at Santa Barbara, California, on this 28th day of September, 1941, does hereby petition the various Federal officials and agencies entrusted with the responsibilities of granting priorities, to grant such priorities to all USHA aided projects in conformity with the housing needs of the community in which they are located, and

Be it further resolved that copies of this resolution be sent to the Federal officials and agencies having jurisdiction, to the President of the United States, and to the Administrator of the United States Housing Authority, and that as far as possible all housing authorities and other housing organizations in the Western Region, and in the United States be asked to cooperate in placing the matter before their representatives in Congress and that the officers of this Association be empowered to take any additional steps necessary and proper in an effort to secure favorable consideration of this resolution.

Alice Griffith, *Secretary.*

MEYER CONSTRUCTION Co.,
GENERAL CONTRACTORS,

San Francisco, California, September 29, 1941.

Re: Valencia Gardens Housing Project.

HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO,
525 Market Street, San Francisco, California

GENTLEMEN: We wish to summarize at this time hindrances and difficulties which we have encountered and which have resulted in delays for which we are entitled to extensions. These are as follows:

(a) Foundation walls have been extended to lower depths on nearly all buildings due to water encountered at levels shown.

(b) Since the first of July, 1941, we have been unable to secure reinforcing steel in quantities large enough for us to proceed with the project on schedule. Deliveries have become smaller and smaller until the 1st of September, at which time we were notified that we would receive no more steel unless we secured a priority certificate. Since that time we have endeavored with a small crew, to proceed with the work with hopes that the Housing Authority would be able to secure a priority rating. However, since that does not now seem possible, all work must necessarily stop.

This condition has existed also with all of our subcontractors who have any metal work to supply. No metal is available for door frames and door bucks, miscellaneous iron, electric items, plumbing and various other items. This is also true of many items of tools and equipment used in ordinary construction work.

Nails are not available unless a priority certificate can be secured. This item alone has retarded work, as we have had to use nails from our stock, with no hope of replacement.

Will you kindly see that formal recognition is given our right to extension of time for completion by reason of delays occasioned by the foregoing causes.

Yours truly,

MEYER CONSTRUCTION CO.,
By J. E. McKINLEY.

(Notation in ink:) This ends S. F. construction—your's may stop tomorrow. We must have priorities!!! Act now to save our program.—Albert J. Evers.

Western States Housing Authorities Association

REVEREND EMMETT McLOUGHLIN
President
HENRY W. HALER
Vice-President
ALICE GRIFFITH
Secretary-Treasurer

525 MARKET STREET
ROOM 502
SAN FRANCISCO
Yukon 1661

THE SAN FRANCISCO EXAMINER: SATURDAY, OCTOBER 4, 1941

TO ALL HOUSING
AUTHORITIES:

DO THESE CLIPPINGS
ENCOURAGE YOU
TO HOPE FOR
PRIORITIES?

Pacific States Trial Priorities Seen as Aid Toward To S. F. Home Building

Priority regulations covering building materials are expected to accelerate rather than reduce who has just returned from a home building and remodeling in five weeks' study of priorities in defense areas—which include San Francisco, the East Bay and districts within reasonable commuting distance of defense areas.

Study of the procedure and of the critical list of materials, according to representative builders, reveals nothing to hinder swift construction of sound, modern homes.

This conclusion is confirmed by

Green said in an interview that the report of the AFL executive will be issued Monday.

Milton Morris, executive secretary of the Associated Home Builders, states, will go first to homes selling for \$6,000 or less, with adjustments for higher priced homes.

What's more, there appears to be a minimum of red tape. Local FHA offices will be the middle man between builders and the OPM, servicing them quickly and passing them on to a special section of the OPM.

Seniority Right, First
Call on Defense

LOW RENTAL HOUSING
IS A VITAL FACTOR IN
NATIONAL DEFENSE

WITHOUT PRIORITIES
YOUR BUILDING
PROGRAM WILL
STOP

ACT NOW IN
ACCORD WITH
THE ATTACHED
RESOLUTION.

Priorities
Committee
Howard Holtzendorff
Los Angeles
Jesse Epstein
Seattle
William G. Elder
Phoenix
Hugo F. Allardt
Fresno
Frank A. Gilman
San Bernardino
Albert J. Evers, Chairman
San Francisco

ARIZONA CALIFORNIA IDAHO NEVADA OREGON UTAH WASHINGTON HAWAII

EXHIBIT No. 138

[Submitted by Floyd B. Odum, Director, Division of Contract Distribution, Office of Production Management.]

DEFENSE SPECIAL TRAINS

EASTERN TRAIN NO. 1

November—

- 10 Monday—Travel.
- 11 Tuesday—Wilmington, Del.
- 12 Wednesday—Trenton, N. J.
- 13 Thursday—Bridgeport, Conn.
- 14 Friday—Bridgeport, Conn.
- 15 Saturday—Providence, R. I.
- 16 Sunday—Holiday.
- 17 Monday—Lynn, Mass.
- 18 Tuesday—Portland, Maine.
- 19 Wednesday—Bangor, Maine.
- 20 Thursday—Berlin, N. H.
- 21 Friday—Rutland, Vt.
- 22 Saturday—Worcester, Mass.
- 23 Sunday—Holiday.
- 24 Monday—Worcester, Mass.
- 25 Tuesday—Springfield, Mass.
- 26 Wednesday—Springfield, Mass.
- 27 Thursday—Holiday.
- 28 Friday—Waterbury, Conn.
- 29 Saturday—Poughkeepsie, N. Y.
- 30 Sunday—Holiday.

December—

- 1 Monday—Albany, N. Y.
- 2 Tuesday—Utica, N. Y.
- 3 Wednesday—Syracuse, N. Y.
- 4 Thursday—Binghamton, N. Y.
- 5 Friday—Scranton, Pa.
- 6 Saturday—Reading, Pa.
- 7 Sunday—Holiday.
- 8 Monday—Harrisburg, Pa.
- 9 Tuesday—Greensboro, Pa.
- 10 Wednesday—Charlotte, N. C.
- 11 Thursday—Greenville, S. C.
- 12 Friday—Atlanta, Ga.
- 13 Saturday—Macon, Ga.
- 14 Sunday—Holiday.
- 15 Monday—Tampa, Fla.
- 16 Tuesday—Jacksonville, Fla.
- 17 Wednesday—Columbia, S. C.
- 18 Thursday—Raleigh, N. C.
- 19 Friday—Richmond, Va.

MIDWESTERN TRAIN NO. 2

November—

- 10 Monday—Travel.
- 11 Tuesday—Pittsburgh, Pa.
- 12 Wednesday—Pittsburgh, Pa.
- 13 Thursday—Buffalo, N. Y.
- 14 Friday—Buffalo, N. Y.
- 15 Saturday—Erie, Pa.
- 16 Sunday—Holiday.
- 17 Monday—Akron, Ohio.
- 18 Tuesday—Akron, Ohio.
- 19 Wednesday—Youngstown, Ohio.
- 20 Thursday—Holiday.
- 21 Friday—Toledo, Ohio.
- 22 Saturday—Lansing, Mich.
- 23 Sunday—Holiday.
- 24 Monday—Muskegon, Mich.
- 25 Tuesday—South Bend, Ind.
- 26 Wednesday—Milwaukee, Wis.
- 27 Thursday—Milwaukee, Wis.
- 28 Friday—Madison, Wis.
- 29 Saturday—Minneapolis, Minn.
- 30 Sunday—Holiday.

December—

- 1 Monday—Minneapolis, Minn.
- 2 Tuesday—Rock Island, Ill.
- 3 Wednesday—Rock Island, Ill.
- 4 Thursday—Des Moines, Iowa.
- 5 Friday—Omaha, Nebr.
- 6 Saturday—Springfield, Mo.
- 7 Sunday—Holiday.
- 8 Monday—Springfield, Ill.
- 9 Tuesday—Joliet, Ill.
- 10 Wednesday—Indianapolis, Ind.
- 11 Thursday—Indianapolis, Ind.
- 12 Friday—Evansville, Ind.
- 13 Saturday—Louisville, Ky.
- 14 Sunday—Holiday.
- 15 Monday—Cincinnati, Ohio.
- 16 Tuesday—Cincinnati, Ohio.
- 17 Wednesday—Columbus, Ohio.
- 18 Thursday—Charleston, W. Va.
- 19 Friday—Lynchburg, Va.

WESTERN TRAIN NO. 3

November

- 10 Monday—Travel.
- 11 Tuesday—Travel.
- 12 Wednesday—Denver, Colo.
- 13 Thursday—Denver, Colo.
- 14 Friday—Travel.
- 15 Saturday—Billings, Mont.

November—Continued.

- 16 Sunday—Holiday.
- 17 Monday—Salt Lake City, Utah.
- 18 Tuesday—Boise, Idaho.
- 19 Wednesday—Spokane, Wash.
- 20 Thursday—Holiday.
- 21 Friday—Seattle, Wash.

November—Continued.

- 22 Saturday—Seattle, Wash.
- 23 Sunday—Holiday.
- 24 Monday—Portland, Oreg.
- 25 Tuesday—Travel.
- 26 Wednesday—Sacramento, Calif.
- 27 Thursday—San Diego, Calif.
(noon).
- 28 Friday—San Diego, Calif.
- 29 Saturday—Phoenix, Ariz.
- 30 Sunday—Holiday.

December—

- 1 Monday—El Paso, Tex.
- 2 Tuesday—Travel.
- 3 Wednesday—San Antonio, Tex.
- 4 Thursday—Houston, Tex.

December—Continued.

- 5 Friday—Dallas, Tex.
- 6 Saturday—Oklahoma City, Okla.
- 7 Sunday—Holiday.
- 8 Monday—Little Rock, Ark.
- 9 Tuesday—Memphis, Tenn.
- 10 Wednesday—Jackson, Miss.
- 11 Thursday—New Orleans, La.
- 12 Friday—New Orleans, La.
- 13 Saturday—Mobile, Ala.
- 14 Sunday—Holiday.
- 15 Monday—Birmingham, Ala.
- 16 Tuesday—Nashville, Tenn.
- 17 Wednesday—Chattanooga, Tenn.
- 18 Thursday—Knoxville, Tenn.

“EXHIBIT No. 139” appears in full in the text on pp. 2619-2620.

EXHIBIT No. 140

[From Detroit News, May 13, 1941]

WIDOW OF THE PICKET LINE BEARS SORROW FOR CAUSE

(By Garnet Warfel)

Although crushed by what she terms the “needless” death of her husband, Arthur Quesebarth, the union picket who died Monday evening of head injuries suffered in a picket battle at the Currier Lumber Co., earlier in the day, Mrs. Evelyn Quesebarth said today she hoped his death would “straighten things out for other people.”

“Nothing will bring him back to us,” Mrs. Quesebarth said, “but I will get some compensation in the thought that perhaps his death eventually will bring about a settlement of this thing and avert other possible deaths.

“If I could believe that, it would help me a lot, for I should always think that Arthur gave his life to a cause—a good cause. He was a peace-loving man. He was never in trouble. He believed in unions 100 per cent. For that reason I can’t feel hostile to the union for telling him to get into the picket line. He believed it was the only way for a working man to get along.

“Of course he had no choice in the matter. When the union tells a man to do picket duty, he has to go, or be fined, or he’s taken out of the local. But he would never have considered disobeying the order, he was that much of a union man.”

Resigned to the fate which overtook her swiftly Monday, Mrs. Quesebarth today was in her home at 9108 Louis avenue trying to maintain a semblance of normal home life.

EXHIBIT No. 141

STATE OF MICHIGAN,
EXECUTIVE OFFICE,
Lansing, May 28, 1941.

Mr. P. J. CURRIER,

President, Currier Lumber Co.,

17507 Van Dyke Avenue, Detroit, Mich.

DEAR MR. CURRIER: Thank you for your letter of May 15, 1941. I regret that your firm was the innocent victim of the dispute between the Detroit Lumber Association and the Teamsters’ Union. During this dispute, I was in constant touch with Mayor Jeffries and Police Commissioner Frank Eaman, and I was convinced that they made an honest effort to maintain law and order. It seemed

unwise to bring in the State Police when the Detroit Police Department had several thousand officers at their command.

I was glad that the situation was corrected in time to permit your scheduled delivery.

Very truly yours,

MURRAY D. VAN WAGONER, *Governor.*

DEPARTMENT OF POLICE,
City of Detroit, May 16, 1941.

Mr. PATRICK J. CURRIER,
*President, Currier Lumber Co.,
17507 Van Dyke Avenue, Detroit, Mich.*

DEAR MR. CURRIER: Your letter of May 15 will be handed to Commissioner Eaman upon his return to the office, following a brief absence from the city.

Yours truly

AMOS BEATTIE,
Secretary to the Commissioner.

[The following letter is a copy of one sent to Mayor Jefferies, Police Commissioner Eaman, Governor Van Wagoner, each of the Detroit Councilmen, as well as the Commanding Officer in each Police Department Precinct informing them of our intention to resume deliveries on Monday, the 19th of May. You will notice the letter is dated May 15th which was Wednesday. The so-called agreement between Teamsters and the Lumber Dealers Association was not made until Saturday, May 17th. Each of these letters was sent registered and the recipient signed a receipt as dated, May 16th.]

MAY 15, 1941.

MAYOR EDWARD J. JEFFERIES,
City Hall, Detroit, Mich.

YOUR HONOR: We know you are familiar with the facts surrounding the disputes which now seriously hamper Detroit's lumber industry.

We are, however, writing that you may have a more specific knowledge about the position of this particular firm. To sum up the facts, this is the situation:

There is no strike at Currier Lumber Company.

No strike notice has been filed with us and apparently there is no intention of filing one.

No union claims to represent a majority, or even a minority, of Currier employees.

In spite of these facts our employees have been viciously attacked, beaten and seriously injured. Equipment which was sent out in peaceful pursuit of duty has been wrecked. Street rioting of a very serious nature has occurred in spite of all efforts by the Detroit Police Department to keep peace.

After consulting with authorities we decided Tuesday, that in the interest of public safety we would waive temporarily our right to make deliveries peacefully. Since that time we have continued to operate our business normally, with a full crew, but we have refrained from delivering materials.

We feel we have three groups in society whom we must serve:

The public—which buys houses and which have a right to buy houses.

Our employees—who have a right to work and to decide for themselves without compulsion whether or not they will join any organization.

Our customers—whose duty it is to house Detroit and who have ordered us to deliver materials.

Weighing these facts carefully we have decided to resume our regular business of delivering materials in a normal and peaceful manner at the usual time on Monday morning.

Sincerely,

CURRIER LUMBER, Co.
P. J. CURRIER, *President.*

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM 2805

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark :) Detroit, Mich., May 16, 1941, 3 p. m.
Return to Currier Lumber Company, 17507 Van Dyke Avenue, PLaza 1400, Detroit,
Mich.
Registered article No. 545401.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original number of which appears on the fact of this Card.

1. Mayor Jeffries.

(Signature or name of addressee)

2. Ken Major.

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery, May 16, 1941.

MAY 16, 1941.

COMMANDING OFFICER.

Second Precinct Station, Detroit, Michigan.

DEAR SIR: In a spirit of cooperation so that your department will be fully posted, we are writing to explain the latest developments in the lumber industry operations as they affect this particular firm.

Last week we waived temporarily our right to deliver materials peacefully. We said we would try to resume deliveries when the danger period was entirely passed.

We sincerely believe that time is now at hand and we, therefore, are going to resume our regular business of delivering materials in a normal and peaceful manner at 7:00 Monday, May 19th, in order to fill urgent orders from our customers.

Trucks will leave our yards in the customary manner, manned by a driver and his helper. No other persons of any kind will be sent with these loads.

Our drivers will be instructed to religiously avoid any possible indication of trouble. If, for instance, a truck driver is stopped by anyone or told to return to the yard, he will do so, or if certain persons should stop a truck and tell the driver and helper to abandon it, the truck will be abandoned.

We want you to understand that we honestly believe such things will not occur and we also realize that the Detroit Police Department will do its usual fine job of controlling the city streets to safeguard peaceful citizens.

Before any loads are sent, your precinct will be informed by us if any of our trucks are to pass through your territory. You will be informed as to their exact route and as closely as possible the exact time.

We know you will understand that this information is forwarded to you in a genuine spirit of helpfulness so that both of us may fulfill our jobs in the best possible manner. We will, of course, hold ourselves in readiness to make any change in this program which the Detroit Police Department may consider advisable.

We wish to thank you most sincerely for the cooperation you have always shown us in the prompt performance of your duty.

Sincerely,

CURRIER LUMBER COMPANY,
W. D. BLOCK,

Executive Secretary.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark:) Lansing, Mich., May 16, 1941, 8:30 a. m.
 Return to Carrier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
 Detroit, Mich.
 Registered article No. 545399.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original number of which appears on the face of this card.

1. M. D. Van Wagoner

(Signature or name of addressee)

2. H. Gordon.

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery ---, 194---.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark:) Detroit, Mich., May 16, 1941, 3 p. m.
 Return to Carrier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
 Detroit, Mich.
 Registered Article No. 545402.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original number of which appears on the face of this card.

1. William E. Dowling.

(Signature or name of addressee)

2. M. Kearney.

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery May 16, 1941.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark:) Detroit, Mich., May 16, 1941, 3 p. m.
 Return to Carrier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
 Detroit, Mich.
 Registered Article No. 545404.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original number of which appears on the face of this card.

1. Chas. E. Dorars.

(Signature or name of addressee)

2. Phil Alexander.

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery May 16, 1941.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark:) Detroit, Mich., May 16, 1941, 3 p. m.
Return to Currier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
Detroit, Mich.
Registered Article No. 545403.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original
number of which appears on the face of this card.

1. Comm. Eaman

(Signature or name of addressee)

2. John S. Knoble

(Signature of addressee's agent—Agent should enter addressee's name on line
ONE above)

Date of delivery 5-16, 1941.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark:) Detroit, Mich., May 19, 1941, 2:30 p. m.
Return to Currier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
Detroit, Mich.
Registered Article No. 545406.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original
number of which appears on the face of this card.

1. Henry S. Sweeney

(Signature or name of addressee)

2. E. N. Marks.

(Signature of addressee's agent—Agent should enter addressee's name on line
ONE above)

Date of delivery, May 19, 1941.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark:) Detroit, Mich., May 19, 1941, 2:30 p. m.
Return to Currier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
Detroit, Mich.
Registered Article No. 545405.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original
number of which appears on the face of this card.

1. John C. Lodge.

(Signature or name of addressee)

2. E. N. Marks.

(Signature of addressee's agent—Agent should enter addressee's name on line
ONE above)

Date of delivery May 19, 1941.

POST OFFICE DEPARTMENT—OFFICIAL BUSINESS

(Postmark :) Detroit, Mich., May 19, 1941, 2:30 p. m.
 Return to Currier Lumber Company, 17507 Van Dyke Avenue, Plaza 1400,
 Detroit, Mich.
 Registered Article No. 545407.

RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original number of which appears on the face of this card.

1. John W. Smith.

(Signature or name of addressee)

2. E. N. Marks.

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery May 19, 1941.

“EXHIBIT No. 142,” introduced on p. 2624, is on file with the committee

“EXHIBIT No. 143,” introduced on p. 2624, is on file with the committee

“EXHIBIT No. 144,” introduced on p. 2626, is on file with the committee

“EXHIBIT No. 145,” introduced on p. 2628, is on file with the committee

“EXHIBIT No. 146,” introduced on p. 2628, is on file with the committee

“EXHIBIT No. 147,” introduced on p. 2628, is on file with the committee

“EXHIBIT No. 148,” introduced on p. 2628, is on file with the committee

EXHIBIT No. 149

MAY 12, 1941.

MR. WILLIAM KNUDSEN,

*Director General, Office of Production Management,
 New Social Security Building, Washington, D. C.*

DEAR MR. KNUDSEN: In our letter to you dated May 7, 1941, we stated that you would shortly hear more specifically from us regarding the need for more aluminum. At a conference in Mr. Moffett's office on May 6, 1941, Aluminum Company of America (Alcoa) was asked to suggest a plan for providing three hundred million pounds of aluminum additional to the two hundred million pounds which, we believe, has been or can be purchased by the United States Government from the Canadian producer of aluminum.

There is apparently great, if not insurmountable, difficulty in carrying through the one hundred million pound program as outlined in Alcoa's letter to you of April 17, 1941 as we have been told that power for producing the aluminum proposed to be made at Bonneville will not be made available to Alcoa and that the approval of the Public Service Commission of New York for the purchase of the proposed Massena power cannot be obtained. Our first suggestion, therefore, is that Alcoa's letter of April 17, 1941 be considered as withdrawn.

In response to your request and in view of the Government's position as explained to us, Alcoa suggests, subject to changes which further consideration or investigation might cause to be made:

(a) That Alcoa enlarge its Alcoa, Tennessee, plant for the production of an additional thirty million pounds per annum of aluminum, OPM or other Government agency to arrange for the purchase by Alcoa of the necessary power (40,000 kw.) from the Tennessee Valley Authority on terms and at a price accept-

able to Alcoa. Except for the power supply facilities and except as provided for in (d) herein, Alcoa will supply the money required for and own and operate all facilities needed for this aluminum production.

(b) That Alcoa enlarge its Massena, New York, plant for the production of an additional seventy million pounds per annum of aluminum. OPM or other Government agency to arrange for the purchase by Alcoa of the necessary power (70,000 kw.) from Canadian sources on terms and at a price acceptable to Alcoa. It is understood that power production on the Saguenay River in Canada is about to be increased by 500,000 to 750,000 hp. and this increase in power capacity should permit, through the transfer of power from the Saguenay district to the Montreal district, the making available of 100,000 to 150,000 kw. for Massena. Except for the power supply facilities and except as provided for in (d) herein, Alcoa will supply the money required for and own and operate all facilities needed for this aluminum production.

(c) That the Government, at its expense, build and operate an aluminum smelting plant of two hundred million pounds per annum capacity together with a carbon electrode plant to supply the smelting plant. Alcoa understands that this is the Government's desire and that the power for this plant be supplied by the Bonneville Power Administration.

(d) That Alcoa build and operate and eventually own alumina production facilities sufficient for the production of three hundred million pounds of aluminum per annum, and sell to the Government at a fair market price the alumina required for the production of two hundred million pounds of aluminum per annum. These alumina production facilities will be built in whole or in part as an extension or extensions of its existing alumina plants in Mobile, Alabama, and East St. Louis, Illinois, or as a new plant in the State of Arkansas, the producing center for domestic bauxite. It is Alcoa's opinion that, under present and immediately future transportation conditions, it is better that any new alumina plant be located in the bauxite district and the alumina be shipped to wherever it may be smelted than to build an alumina plant on the West Coast. The money required for these alumina facilities will be supplied by the Government to Alcoa either as a loan or under some other plan whereby Alcoa is relieved of the necessity of immediately providing the money.

(e) That under a twenty year management and selling agreement Alcoa design, superintend the erection of and manage the operation of the Government's two hundred million pound per annum smelting plant contemplated in (c) and sell the output therefrom along with and on the same terms on which it sells the output from its own plants, equitably distributing or allocating the orders for and shipments of aluminum between the Government's plant and Alcoa's plants. Also that there be included in the management and selling agreement equitable arrangements (1) under which Alcoa will provide to the Government's plant at fair market prices such raw materials and supplies for which Alcoa has production capacity in excess of its own requirements, (2) for the curtailment of the production of the Government plant in the event of diminution of consumption of aluminum, and (3) so that, if operated after the present emergency, the production from the Government plant will not be prejudicial to the privately owned plants then engaged in the industry.

(f) That Alcoa undertake a substantial program for increasing its fabricating facilities, which program, in the interest of speed and economy, can best be carried out by enlarging to whatever extent is possible Alcoa's existing fabricating plants and facilities. The acquisition of these fabricating facilities will entail large expenditures and the Government will supply to Alcoa the money required either as a loan or under some other plan whereby Alcoa is relieved of the necessity of immediately providing the money.

The carrying out of the above program depends upon many factors outside the control of Alcoa such as, for instance, the obtaining of (1) contracts for power required from the Tennessee Valley Authority and from Canada, (2) the necessary Canadian export license and United States import permit for power from Canada, (3) the necessary materials, equipment and supplies to enable construction to be made, and (4) charters from the Government or other sources for ships needed to transport the required bauxite. Any commitment by Alcoa would be dependent upon arrangements satisfactory to both the Government and Alcoa being made on any and all such points as these.

This letter has endeavored to present a program only in its broadest aspects. Alcoa will be glad to provide further details and discuss any points relating to the program at any time you desire.

Very truly yours,

———, *Vice President.*

EXHIBIT No. 150

THE SECRETARY OF THE INTERIOR

Washington, D. C.

OLYMPIC NATIONAL PARK, September 2, 1941.

HON. JESSE H. JONES.

Federal Loan Administrator, Washington D. C.

DEAR JESSE: The Acting Director of the Division of Power of the Department has forwarded to me a copy of the contract that you executed with the Aluminum Co. of America. I have ascertained that a copy of this contract was furnished to us upon request after it had been executed and an announcement made to the press.

On August 14 you sent me a copy of a proposed contract between Defense Plant Corporation and Alcoa. In my letter of August 15 I stated that "I do not believe this contract should be signed," and I advised you of my reasons for opposing execution of the agreement. I heard nothing more from you, and was not advised of any further consideration of this matter until I read about your action in the newspapers. You have not replied to my letter of August 15, nor have you advised me of your reasons for disregarding most of my criticisms of the contract, and rejecting my suggestion that "the construction provisions of the contract be separated from the lease provisions, and that Alcoa proceed immediately with the construction of the plants" pending the negotiation of new and more acceptable terms.

Revisions of the proposed contract made subsequent to the draft transmitted with your letter of August 14 have resulted in some improvement. But the contract is still, in my considered opinion, prejudicial to the interests of the United States, contrary to the President's policy, and potentially dangerous to the administration of the Government's investment in electric-power facilities, and to the regions in which the plants are to be located. My principal specific criticisms are as follows:

1. The production-control provisions of the lease strengthen and extend the monopolistic position of the Aluminum Co. The rate of production in the Government's smelting plants is subject to the sole control of Alcoa.

It is regulated by the rate of production which Alcoa elects for its owned plants, unless the production rate in all of the Government's plants is less than 40 percent of their aggregate capacity for a 6-month period.

This provision is dangerous to the Nation's defense effort and to the adjustment of its economy which will come after the emergency. If Alcoa should choose to operate its owned smelting plants at 45 percent of capacity, the Government would not be able to augment this production by the full production of its plants. On the contrary, the Government's plants would be tied to the same rate of production. I do not know whether this is technically a violation of the antitrust laws, but it is clear that it contains the vices which those laws were intended to prohibit. I am not suggesting that Alcoa would choose to operate its plants at less than capacity to the prejudice of the defense effort, but I am asserting that the Government should not be a party to a crippling agreement which subjects this critical governmental operation to the control of a private company which has obligations to a small group of stockholders and is controlled by a few individuals. From the hard bargain which Alcoa has driven in this case, it would appear that the company feels itself superior or at least a sovereign power equal to the United States Government.

In addition, this provision is adroitly worded so as to permit Alcoa to shut down any one of the Government's smelting plants, provided that the aggregate production of all three equals the rate of production which Alcoa chooses to employ in its owned plants.

Thus Alcoa could shut down the plant which is located in the Northwest and is supplied with Bonneville power. We would attempt in any power contract which is negotiated to protect the Bonneville Administration against financial loss on account of such action, but nothing that we could do would obviate the economic loss to the region which would result from the arbitrary closing of the plant as permitted by the contract. Moreover, it is interesting to note that if any single plant were closed, or if its operation otherwise resulted in a loss to Alcoa, Alcoa would be made whole by Defense Plant Corporation. This provision is drafted, not in terms of loss on the aggregate operations,

but of loss on any one unit. An anomalous situation is thereby created. Alcoa could shut down or curtail one of the Government's smelting plants and would be reimbursed for any resulting losses. Meanwhile, it would continue to collect the substantial profits provided by the contract for the operation of the other plants.

The Government's right to cancel if the aggregate production of its plants is less than 40 percent of capacity for a 6-month period seems to me to be a rather hollow concession. It is without doubt an improvement over the amazing provision of the prior draft of the contract. But even if there were no other difficulty, this provision would still be 60 percent bad. It should be noted, however, that control over the operation of this provision is entirely in the hands of Alcoa which apparently has no thought of abandoning its traditional low-volume, high-price policy. It should also be noted that the provision is not burdensome to Alcoa because it is drafted in terms of aggregate production. Alcoa could continue to produce 41 percent of the 340,000,000-pound capacity of the Government's plants, or 139,400,000 pounds, without substantially threatening its monopolistic policy. Further, in view of the facts that the personnel of the plant would be Alcoa employees, and that Alcoa would have complete control over operations such as selling and contracting for output, it may be questioned whether governmental cancellation of the lease would ever be feasible. Indeed, under the provisions of the contract, Alcoa could furnish strategic machinery upon cancellation of the contract, thereby making continuation of operations virtually impossible. In fact, the cancellation provision, realistically viewed, would be likely to operate as a one-way street by which Alcoa could assure the shut-down of these plants at any time that it chose.

2. The accounting provisions of the contract are entirely inadequate. Particularly noteworthy is the fact that the Government would have no real power to inquire into the cost of operations and materials. It might merely obtain certain specified information showing variations between the costs which Alcoa had allocated (as a bookkeeping matter) for various stated items used in its own plants and the costs of such items charged to the Government's plants. For example, it could get information as to such variations in the costs of alumina, but it could not get information, without Alcoa's consent, as to the reasonableness of those costs even though they were determined in substantial part by the price which Alcoa might itself decide to charge for the bauxite which it sold as the raw material of the alumina. Without such information, the Government would actually be without any protection. This is another instance of subordination of the United States Government to this apparently omnipotent company.

3. The price provisions of the contract seem to me to place upon the Government a heavy and undesirable burden. The contract provides that "each grade and form of aluminum produced by Alcoa in the leased smelting plants and in the owned smelting plants * * * shall be sold by Alcoa upon the same prices, terms, and conditions." Like the production-control provisions of the contract, this provision effectively would tie the Government to Alcoa's monopolistic price policy. Together with the production-control provisions, it would complete the job of making the Government a party to this monopoly's historic low-production, high-price policy.

As a result of this price-maintenance policy, it seems unlikely that "unreasonable profits" could be avoided under this agreement. For example, the proposed smelting plant in the Bonneville area would have a productive capacity of approximately 90,000,000 pounds of aluminum per annum. If it be assumed that the cost of producing aluminum from alumina does not exceed 10 cents per pound, as shown by the studies of the Department of Justice, a profit of 5 cents per pound of aluminum would result from a price of 15 cents per pound. The operations of the Northwest plant would therefore yield a total profit of approximately \$4,500,000 per annum. This seems an extraordinary rate of return on an investment in the Northwest plant which probably would not exceed \$12,000,000.

It is no answer to this criticism to point out that Defense Plant Corporation under the terms of the contract would receive 85 percent of the net profit. Aside from the great and general benefits to the Nation's economy and its defense efforts which would result from the availability of aluminum at a reasonable price, the maintenance of an unwarrantably high price on a pig aluminum would result in a severe and direct financial burden on the Government. Virtually all of the pig aluminum produced in the next few years is

intended to be bought by contractors whose finished products will be sold to the Government for national defense. The cost of the pig aluminum will be pyramided several times before it is paid for by the Government in the purchase price of the finished product. The cost of a bomber will include not merely the 15 cents per pound for pig aluminum, but also the charges which will have been loaded onto this original cost of pig aluminum by the several successive processors and handlers of this material.

It is true that the contract contains a provision by which Defense Plant might cancel if it believed that the profits of the operation were unreasonable and if it and Alcoa were unable to arrive at an agreement for adjusting the price. This protection, however, is illusory. As pointed out above, the Government's right to cancel would be more theoretical than real. In addition, by restricting production pursuant to the contract and thereby increasing unit costs, Alcoa could reduce profits to a level which appeared reasonable in view of the Government's investment. The price might nevertheless be too high, judged in light of a reasonably increased rate of production. More than this, it is possible that the profits under the contract might not appear to be unreasonable, but the price might be too high because Alcoa was making excessive profits on various phases of the operations into which the Government could not inquire under this contract.

4. The profit which Alcoa would realize for operation of the plants under this contract seems to be exceedingly generous. Alcoa would make no investment in these plants. All costs are underwritten by the Government, and Alcoa is guaranteed against loss on any of the units. Alcoa would receive 15 percent of the net profits of each plant. Taking the figures cited above with respect to the Bonneville plant alone, we find that this 15 percent might amount to \$675,000 per year as Alcoa's share. In connection with this, it must be noted that Alcoa might include as an expense of operation an amount not to exceed a quarter cent per pound of Alcoa's "overhead" which could be specifically allocated to operation of the leased plants, and a further sum of one-half cent per pound as additional "overhead." To this must be added Alcoa's profit on bauxite or alumina, which it would sell to the enterprise. It seems conservative to estimate that Alcoa's total profit, free and clear of all expenses, on the operation of the Bonneville plant alone would exceed three-quarters of a million dollars each year. This seems extraordinary in view of the fact that Alcoa would make no investment of its own, would be fully protected by the Defense Plant Corporation against all risks, would be made secure in the monopolistic operation of its own plants, and would receive large profits for its operations covered by the contract. In this connection it is interesting to note that the contract provides that taxes are to be charged as operating expenses so as to guarantee to Alcoa that it would receive its 15 percent of the net profits over and above income taxes, and possibly excess-profits taxes.

5. Defense Plant Corporation's prospective profits seem equally startling. If the plant in the Bonneville area should make an annual profit of \$4,500,000 per annum, Defense Plant's share would be 85 percent, or \$3,825,000 per year on an investment which probably would not exceed \$12,000,000. I have always admired your ability to protect the particular interest of the Government which you represented.

Indeed I had looked forward to your negotiating these contracts because of your unique talents in this field. For this reason I am particularly chagrined to find that you have narrowed the field of your representation to the Defense Plant Corporation alone, instead of negotiating this contract with a view to protecting all of the interests of the Government that would be affected thereby. Instead of making this contract upon a basis which would insure an adequate supply of aluminum at a reasonable price to meet the Government's needs you have made the Defense Plant Corporation a partner in the enterprise and a participant in the toll which it exacts from the other agencies of the Government and from the people.

I have repeatedly asked you to keep me currently informed of negotiations with respect to contracts in which I have an interest because of my official responsibilities. Now I am again presented with a contract which has been fully negotiated. This time, in fact, I am advised of a contract which has been signed, sealed, and delivered and which contemplates that I agree to furnish a huge block of electric power from the Bonneville and Grand Coulee projects.

Mr. Davis, president of Alcoa, came to see me some time ago with Mr. Bernard Barnich and assured me that he would be willing to enter into a

contract satisfactory to the Government. I think that an arrangement could have been worked out here which in addition to protecting the Government's financial interest in the plants would have assured operation of the plants during the defense emergency upon reasonable and fair terms so as to produce appropriate quantities of aluminum for sale at reasonable prices; which would not have made the Government a party to a monopolistic arrangement; and which would have provided sufficient flexibility for the Government from time to time to make such provision for the operation of its plants as the circumstances demanded.

Surely these are not unreasonable standards. But now after many months of labor by the Office of Production Management and your organization, and after delays which have seriously retarded the defense effort, you have put in front of me peremptorily a document which irrevocably commits this Government to an arrangement which I do not believe to be in its interest. I have done all that I can to speed the production of aluminum. I protested the inadequate estimates which were made in the early stages of the defense program.

Some months ago I urged that the necessary equipment be ordered without waiting for these negotiations to be concluded, but this has not been done, so far as I know. Our engineers and lawyers have worked out plans for supplying the needed power so far as could be done without information which was not available to them. They have also been in continual communication with officials of your organization in an attempt to clear away as many details as possible. Much remains to be done, however, and every day of delay is a boon to the enemies of this Nation.

I am now faced with the dilemma of being a party to this transaction which I regard as prejudicial to the interests of the United States to the extent of supplying power for one of the plants or of volume contributing to the terrible and unwarranted delay which has already occurred. I do not have authority to negotiate these contracts. That authority is vested in you. I cannot cause plants to be built nor can I produce aluminum. But I do have the right to decline to require Bonneville to supply power for the Northwest plant on the basis of a contract that I regard as unconscionable and contrary to the best interests of the people. Moreover, I have an affirmative duty to perform for the people of the Northwest in whose interest and for whose benefit the Bonneville and Grand Coulee dams have been built.

However, we are in a period of great emergency which requires us to put forth every effort to build for our own defense and in order that England may not lack war materials. Frankly, I would be reflecting upon your intelligence if I supposed for a minute that you did not have in mind the dilemma in which I would find myself when the demand was made upon me to sign on the dotted line an onerous and unconscionable contract or run the risk of possible condemnation by the unthinking for not having done so.

As a matter of fact I predicted that your refusal even to let me know what terms were under consideration between you and Alcoa was for the precise purpose of forcing my hand into the signing of a contract that would not be in the public interest.

During the days since you announced the Alcoa contract as a fait accompli I have done little else than ponder where my duty lies. If I were to give a final and definite answer today I would have to say to you that in no circumstances would I negotiate with Alcoa under the terms of this damnable contract. Frankly, I cannot see my way clearly and I require time for further thought.

In the meantime, however, reluctantly and under protest I have advised Dr. Raver to send to Washington representatives of the Bonneville Administration to discuss the terms of a possible contract for power with representatives of Alcoa. This will be done next week. I am doing this because if in the end I shall decide that after all the entire responsibility is yours for this contract, and not mine, and accordingly shall see to it that a block of power is allocated to Alcoa, I will not be in any way to blame for the reckless and unnecessary waste of time, responsibility for which must be shared principally by O. P. M. and Alcoa, but to some degree by yourself.

I firmly believe that the Government could have made a satisfactory contact with Alcoa if it had been represented by one who had the will to make such a contract. And you could have done this better than anyone I know of.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

SUPPLEMENTAL DATA

The following documents are included in the record in relation to the testimony of Richard J. Gray, *supra*, page 2577.

BUILDING AND CONSTRUCTION TRADES DEPARTMENT,
AMERICAN FEDERATION OF LABOR,
Washington, D. C., October 27, 1941.

Hon. Senator HARRY S. TRUMAN,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: As per the request of Attorney Hugh Fulton, please find enclosed the membership records of the building trade workers affiliated with the American Federation of Labor as taken from the records of that organization.

In connection with the above you will no doubt recall that Mr. A. D. Lewis in his testimony referred to a defense project at Parsons, Kansas, in which he stated, as near as I can recall, that he had been advised by a representative of the contractor that the only reason he was operating that job closed shop was that under the stabilization agreement he, the contractor, was compelled to do so.

Upon learning the name of the contractor I requested information from him and received the following telegram addressed to the Building and Construction Trades Department, A. F. of L. Attention, Mr. Gray:

"Requested information relative to my agreement with your organization Camp Chaffee. Wish to say this working agreement was made voluntarily after careful consideration with no coercion by outside sources of any kind. Signed A. Farnell Blair Contractor Kissell."

I might state that the A. Farnell Blair Company has been employing American Federation of Labor building tradesmen, to my knowledge, for the past five years.

Thanking you for the courteous hearing granted me before your Committee, I am

Respectfully yours,

RICHARD J. GRAY, *Acting President.*

Enc.
RJG/s

Table of membership of internationals affiliated with the Building and Construction Trades Dept.

	1939	1941
Asbestos Workers.....	1,000	4,000
Boiler Makers.....	29,000	42,600
Bricklayers.....	65,000	65,000
Carpenters.....	300,000	300,600
Electrical Workers.....	200,300	201,000
Elevator Constructors.....	10,200	10,220
Engineers.....	70,800	80,000
Granite Cutters.....	5,000	5,000
Iron Workers.....	39,500	52,000
Lathers.....	8,100	8,100
Laborers.....	154,400	183,700
Marble Polishers.....	5,500	5,500
Painters.....	100,200	104,900
Plasterers.....	19,400	21,200
Plumbers.....	40,000	45,400
Roofers.....	4,000	4,400
Sheet Metal Workers.....	20,000	20,000
Stone Cutters.....	4,100	4,100
Teamsters.....	350,000	408,300
Total Membership.....	1,429,500	1,565,420

The following document is included in the record in connection with the testimony of Mr. A. D. Lewis, *supra*, page 2544.

PROGRAM OF THE UNITED CONSTRUCTION WORKERS ORGANIZING COMMITTEE, AFFILIATED WITH CONGRESS OF INDUSTRIAL ORGANIZATIONS, WASHINGTON, D. C.

INTRODUCTION

Billions of dollars and millions of men have been kept idle because of failure of the construction industry to revive. Once the biggest industry in the nation, employing more workers than any other, construction has lagged sadly in the recovery march.

Every effort thus far made, including government "pump-priming", has not served to bring construction to the \$10,000,000,000-a-year level it had prior to the depression. Here, in large measure, lies an explanation of America's failure to get back to prosperity.

This pamphlet tells the story of what the Congress of Industrial Organizations is doing on behalf of everyone concerned in this industry—workers, employers and the public. It is noteworthy that industries organized by the CIO on an industrial union basis have forged ahead.

Construction is the only really major industry in America that is still limping along on craft union principles. The modern form of industrial union sponsored by the CIO offers many advantages to construction and will greatly assist the industry to take its proper place in the vanguard of America's industries.

ONE UNION

One union for one industry is the CIO policy that has won millions in wage increases and improved working conditions for 4,000,000 workers in America's basic industries.

Industrial unions affiliated with the CIO have organized for the first time the giant industries like steel and autos—something craft unions were never able to do.

Advantages of the industrial form of labor organization are not all on the side of labor. The nation's biggest employers prefer to deal with one union representing all their workers.

Only when there is equality of bargaining power with mutual respect and responsibility can orderly relationships be maintained. This goal is best achieved for the good of all when there is one strong union in one industry.

WHAT OTHERS SAY

That the industrial union has many striking advantages for construction has long been recognized by authorities on that industry.

Government officials have recently recognized jurisdictional strikes and other craft union abuses as a major factor in retarding the construction industry. A recent report of the National Resources Committee pointed to "vertical integration of the industry" as the answer to its most vexing problems.

The nation's outstanding scholar in this field, Dr. William Haber, after an exhaustive review of futile craft union efforts to end the plague of jurisdictional disputes, came to the conclusion that some form of industrial union is the only way out. He said: "All efforts discussed thus far to solve jurisdictional disputes overlook a fundamental difficulty. Jurisdictional disputes occur because more than one union claims control over a particular type of work. The obvious remedy is to have one union inclusive enough to control all the work in its trade.

"Fewer unions in the industry would prevent overlapping of trades.

The method of achieving it is amalgamation, first of related trades, and then on a wider basis leading to some form of industrial union."

This was written long prior to establishment on August 1, 1939, of the United Construction Workers Organizing Committee which has now offered for the first time the "obvious remedy" that Dr. Haber and other authorities have long advocated. Employers in the industry, Dr. Haber added, themselves would welcome this type of union.

EMPLOYER'S VIEWPOINT

Editorials appearing in recent issues of important trade periodicals indicate widespread employer sentiment for the CIO program.

"Now the establishment of a building industrial union," says Engineering News-Record, "holds out a challenge to the old system. For clear perspective, it should be kept in mind that industry or job organization is already practiced to some extent, as in compressed air work, and on some individual jobs where labor itself recognized that the craft differentiation was inefficient.

"But a like conclusion applies to the organization set-up of many other construction jobs, where the craft system stands in the way of coordination and progress and is against the interests of the worker himself. Such conditions plainly favor the growth of an industry-union system."

Experience with a CIO union on one important construction job led the Engineering News-Record to editorialize many months ago:

"Labor organization of a type new to heavy construction has been in successful operation on the Baltimore water tunnel for a year past. The tunnel men are combined in an industrial union in which all employees rate as tunnel workers and not as craftsmen of this or that special kind. The system contrasts sharply with the craft unionism that prevails in building work and is now seeking to enter heavy construction.

"Under the Baltimore plan, any workman can be put to another kind of work within his capabilities. The employer gains flexibility and efficiency and avoids delay; the worker gains a continuity of employment not attained under the craft system, since he is not out of a job when one particular operation comes to a stop. The drill runner or pipe man may turn to form building, the mucker to track work, without interruption of employment.

"By permitting the use of workmen at any task they are capable of performing, the system furthers the training of skilled mechanics and thus aids in relieving the potential shortage of experienced construction labor. It also offers the opportunity of discovering hidden talent which construction will need in the near future.

"The plan effectively does away with some of the difficulties of craft union operation in heavy construction. An all-around working force of minimum size can be built up and kept in action, and the job does not have to be loaded unnecessarily with high-priced mechanics who work only a small part of the time. Jurisdictional troubles vanish, for there are no jurisdictions."

THREE BUGABOOS

Three major bugaboos of the construction industry for which the industrial union offers the only effective answer are: Jurisdictional disputes, high building costs, and irregular employment.

Entire blame for the first of these evils rests squarely on the outworn craft labor unions, while they must share partial responsibility for the other two.

Victims of the outworn craft union setup are the workers, employers, and the public—everyone concerned with construction. This industry, once the biggest in America, still lags far behind in the recovery parade. Why? Is not the fact that it is the one major industry still creeping along on craft union principles of major significance?

LABOR'S STAKE

Over one-third of all persons who have been steadily jobless since 1929 belong to the construction industry. Yet this industry was in 1929 the largest single employer of labor in the country. Nearly 3,000,000 workers were attached to the building industry at its peak. Today, there remain over 1,000,000 unemployed building-trades men.

Another symptom of the failure of the craft union system is the fact that proportionately more union men are without jobs in construction than non-union men.

This demonstrates the inability of the craft union to put its members to work even while non-members are being hired as construction revives.

Even those union workers classed among the employed actually work but part of the time. Official figures show that more than half of the union members are either wholly or partially unemployed.

Wages of the craft union members compare unfavorably with those obtained by C. I. O. members in the manufacturing industries. Yearly incomes of construction workers are "lower than the annual earnings of similarly qualified workers engaged in the manufacturing industries."

On any fair basis of comparison, notwithstanding seemingly high hourly rates, construction workers are grossly underpaid when their income at the end of the year is checked against that received by other less skilled workers. The 1935 Census of the construction industry showed the average annual wage to be \$1,149, but an adjusted average based on the annual payroll divided by the peak number of workers amounted to \$868. This in face of the fact that about 80 per cent of these workers are classed as skilled mechanics.

Widespread unemployment, or at best partial employment, and low annual earnings are two of the major evils of the construction industry so far as the workers are concerned. But there is a third even more basic evil resulting from the obsolete craft union system.

TWO-THIRDS NON-UNION

Among the nation's important industries building construction is one of the most poorly organized.

Of nearly 3,000,000 workers available for employment in construction far less than 1,000,000 are members of unions. If union officials, city employees, maintenance men in factories, apartment houses and hotels and others holding union cards are excluded, it becomes apparent there are only about 500,000 union members actually working at their trades.

This striking failure of craft unions to do the organizing job in the construction industry contrasts sharply with the high degree of unionization in the mass industries where the C. I. O. is dominant. Official U. S. Labor Department figures list among the most highly organized industries the mass industries where C. I. O. unions have contracts.

Large segments of the construction industry are almost entirely outside the union fold. Residential construction is done almost entirely by non-union labor, or by union members working at non-union rates. Most of the heavy construction, such as roads, dams, railroads, aqueducts, etc., are on an open-shop basis. Were it not for the building program of the government, craft unions would put up but a small fraction of America's buildings.

Furthermore, it is an open secret that even where union contracts exist there is widespread violation of their terms. Secret agreements are common between craft officials and contractors to evade or ignore union conditions. Workers are often forced to "kickback" a share of their pay, an illegal device intended to conceal from authorities what the men are actually drawing.

NO. 1 INDUSTRY

Only a few years ago construction was America's No. 1 industry.

Nearly one-sixth (15 per cent) of all the products of American industry went into construction between 1919 and 1935. There is no other industry that comes anywhere near being that big.

In 1929 actual construction with a total expenditure of \$10,000,000,000 accounted for 4 per cent of the national income that year. Every year from 1924 through 1929 about \$10,000,000,000 went into construction. In 1933 this figure fell to slightly over \$2,000,000,000. It employed far more than any other industry or about 5½ per cent of the total wage earners in industry.

The story of construction since those lush days has been one of sharp decline and slow, erratic upward movement. It has never kept pace in the recovery parade. As compared with the 4 per cent of the nation's total income which construction itself contributed in 1929, it fell to about 1½ per cent between 1933 and 1935.

Here, in large measure, lies an explanation of America's failure to get back to prosperity. Millions of workers and hundreds of industrial plants dependent

on construction have been entirely or partially idle because of failure of construction to regain its former position in our internal economy.

The lag in construction, especially home-building, has been notorious. Government building with public funds has not so far "primed the pump." In fact, all the government building has not brought construction to the volume it had prior to the depression.

For every slum cleared away by the government, five new ones are coming into existence today. America needs 1,000,000 new homes a year simply to keep abreast of demand.

It is noteworthy that industries that feed construction and construction itself were laggards in the upward movement that took place in the mass industries organized by the CIO. America's No. 1 industry has also been its No. 1 problem child.

WHOSE FAULT?

Responsibility for the failure of construction to revive must be shared by every factor in the industry.

This includes producers and distributors of building materials, whose price-gouging practices nipped a promising upward swing in 1937, contractors, whose collusive practices have been widely publicized recently, craft labor leaders, and even city building codes.

Restraints carried on by these various elements in construction keep building costs unduly high. This means fewer jobs for construction workers.

It must be recognized that without the active connivance of craft union leaders these devices could never have been effective. Labor was looked to as the enforcer of these often illegal programs of restraint. By refusing to supply materials or labor to any builder who didn't "go along" the craft leaders were able to keep them in line.

Thus, the craft leaders have been equally guilty with certain unscrupulous interests who sought their own selfish profit at the expense of the entire industry. That these practices have actually caused a lag in construction, and therefore less jobs for union members, is proof of the short-sighted policy of craft unions.

Simply to list the many restraints would require several pages. Some of those of which craft leaders have been guilty are: Refusal to use new and less costly materials; refusal to use any material not bought through favored dealers in price-fixing combines; jurisdictional disputes and failure to meet modern techniques.

It should be especially noted that none of these practices have any relation to legitimate union aims to limit the length of the work-day, establish reasonable minimum wages, or fair working conditions. Union members are among the principal victims of the inability of construction to progress, a condition to which these devices contribute.

A NEW DAY

Entrance of the CIO means a new day for the construction industry.

The CIO has a very definite and important interest in the construction industry for three major reasons: (1) It proposes to carry on its drive to "Organize the Unorganized"; (2) The CIO unions in the mass industries produce nearly all the materials that go into construction; (3) The 4,000,000 CIO members face a major housing problem that can only be solved when the industry is properly organized.

This three-sided interest of the CIO contrasts sharply with the narrow craft union setup which concerns itself only with on-the-site construction work. All phases of the industry from the raw material producer to the ultimate consumer are of vital concern to the CIO. The CIO program marks the first over-all attack on America's building problem.

Advance of the construction industry means not only more jobs for UCWOC members but also dollars and cents in the pockets of every CIO member. For it is the mass industries already organized by the CIO that will benefit from a building boom. The electrical fixtures, the lumber, the steel, the rubber, the textiles, the hardware, glass and so on—all these construction materials are the products of industries solidly organized by the CIO. And CIO miners dig the coal that heats the completed house.

Trade divisions in the construction industry, as in other major industries, are vanishing under the impact of new methods. Efforts to turn back the tide of technical progress are futile. Craft union officials have resisted up-to-date

methods and have kept the industry torn with dissension and on a basis of scarcity and high prices. Each new technic introduced in construction has touched off another jurisdictional squabble between the craft unions.

THE CIO PROGRAM

The program of the United Construction Workers Organizing Committee is to organize into an industrial union all workers, regardless of creed, color, nationality or classification of employment, who are employed in and around construction work. This is in accordance with the CIO policy of one union from one industry.

One of the outstanding advantages of an industrial union is the elimination of jurisdictional disputes that plague the industry and cause much unemployment. The UCWOC grievance machinery provides an effective way of settling disputes without stoppage of work. When all the workers on the job belong to the same union there is at once ended a major cause of trouble—union rivalry.

Both workers and contractors are better off under an industrial union. It offers a more flexible labor force that permits the industry to take advantage of new materials and improved techniques. This offers an opportunity for lower building costs which means steadier work for construction workers. Experience shows CIO contractors are underbidding other contractors because of savings made possible by elimination of needless and harmful craft union restraints.

The UCWOC simplifies collective bargaining and strengthens the workers' position. United into one organization, the workers are heard with greater respect than when split among more than a score of squabbling craft unions. The industrial union eliminates the heavy overhead expense of a craft union bureaucracy which maintains a separate set of officers for each craft. It offers employers the opportunity of dealing with a single responsible organization for all workers.

The UCWOC offers workers the only real prospect of doing the job of organizing the industry that the craft unions have been unable or unwilling to attempt. No construction workers are denied membership in the UCWOC and its aggressive organizing drive embraces every aspect of the industry, including residential and heavy construction. In this effort the UCWOC has the wholehearted support of the CIO which is the dominant labor organization in all the key industrial areas of America.

Exorbitant initiation fees, ranging from \$25 to \$100, \$200 and \$300, and unreasonably high dues, common with craft unions of the building trades, are not permitted in the CIO. The UCWOC dues are \$1.50 a month and there is no initiation fee. Furthermore, it is CIO policy to give all union members equal status and treatment. The UCWOC will not tolerate Class B non-voting membership. All workers, regardless of trade, race, creed or nationality are on an equal basis in the UCWOC.

The UCWOC stands for honesty and democracy and will not tolerate kick-backs, collusion in price-rigging schemes, dictatorships, or racketeering in any form among its membership, officers or representatives. Its only aim is to serve the workers and the industry. The long trail of craft union abuses that have been exposed time and time again are definitely at an end as the CIO enters the construction industry.

Although the UCWOC is the youngest union of the CIO family it is growing fast. Since its establishment by the CIO Executive Officers August 1, 1939, the UCWOC has chartered local unions in two-thirds of the states of the union. A large staff of organizers is in the field and CIO regional officers, state and local industrial union councils and affiliated CIO unions are giving valuable assistance. Contracts have been negotiated with scores of contractors and others are being signed daily.

The following document is included in the record in connection with the testimony of Mr. Richard J. Gray, *supra*, pages 2562 and 2578.

EXCERPT FROM BROADCAST OF FULTON LEWIS, JR. MUTUAL BROADCASTING SYSTEM AND WHIN, NEW YORK CITY FROM STATION WOL, WASHINGTON, D. C., FRIDAY, OCTOBER 17, 1941

Now, I have some new and dramatic developments for you, tonight, about government defense contracts. You remember Case Number one—the Navy

project at Piney Point, Md. Then, several weeks ago, the Currier Construction Company—low bidder by 431 thousand dollars—on 300 houses to be built near Detroit, and the efforts of Mr. Sidney Hillman of O. P. M. to have that low bid thrown out, because the company hired C. I. O. union workers instead of the American Federation of Labor. Since I told you THAT story on the air, the Truman committee of the Senate has begun an investigation of it.

Tonight, I have Case Number Three—which I've spent more than a week investigating . . . so here goes:

This new case involves a huge, new cantonment, known as Camp Chafee, near Fort Smith, Arkansas . . . a 15½ million dollar project, employing some 12 thousand construction workers.

The contractor who is building that cantonment is the A. Farnell Blair Company, of Decatur, Georgia. Work began early in September . . . and in order to clear the land for it, some 15 hundred farm families were forced to move out of their homes and give up their farms. The government has to go through long red tape, clearing titles, and disposing of legal formalities before these 15 hundred farm families can be paid for their land . . . and the farmers were given assurances, at the time their land was condemned, that they would be given jobs on the construction project, which would tide them over until they could get their money.

As a matter of fact, on September 19th, an advertisement was printed in the Fort Smith newspaper, the Tribune, corroborating that. It told the people of the community to apply for jobs at the C. I. O. headquarters, the American Federation of Labor headquarters, or the State employment agency . . . which, of course, means an open shop operation.

Four days later, on September 23rd, officials of the construction company announced that they had signed a closed-shop agreement with the American Federation of Labor . . . no C. I. O. worker, and no non-union worker would be allowed to work on the job.

The American Federation of Labor had initiation fees ranging from \$15 in the case of common laborers, to \$50 for carpenters, and even higher than that for highly skilled workers. They also charged dues amounting to 5 cents out of every dollar in the worker's pay envelope.

The farm families, who belonged to no union at all, and the C. I. O. workers, found they were unable to get work. They're stranded in the community—the farmers can't get their money from the government—and they can't get jobs on the government construction project . . . and yet, in the meantime, the American Federation of Labor has been pulling thousands of workers in from points as much as several hundred miles away, putting THEM to work on the project.

At the same time the closed union contract was signed, the American Federation of Labor Building Trades Unions had about 400 members in that immediate area, ready to work.

Now, in order to find out why the Blair Construction Company signed this closed shop agreement with the American Federation of Labor—excluding all of those other individuals from getting any jobs on the project—I've done some rather extensive and very careful investigation.

I find that one week ago today, a man by the name of H. M. Thackrey, who is executive secretary of the A. F. of L., in the State of Arkansas, made the public statement that the O. P. M., under Mr. Hillman has an agreement with the American Federation of Labor, that the A. F. of L. is to have an exclusive monopoly on all government contracts. He said it would have been a violation of that agreement, for the company to hire C. I. O. workers, or non-union labor.

At late as this afternoon, I talked by long distance telephone to Mr. David Asch, who is in charge of this entire project for the Blair Construction Company, and asked him why this contract was signed . . . why he did not operate on an open-shop basis. Mr. Asch told me that he signed the contract for two reasons—

First, because his understanding was that he was expected by the Government to allow no one to work on that project, except members of the American Federation of Labor unions. He said that specifications he got from the government left no doubt in his mind, on THAT score. He was shown an agreement between Mr. Hillman and the American Federation of Labor . . . and it was impossible to do otherwise.

Second, he said that his company has other government construction projects, on which they use A. F. of L. labor . . . and he had "reason to believe" that he

would have trouble on **THOSE** contracts, unless he employed only A. F. of L. labor on this work at Camp Chaffee.

That, of course, is a similar story to the one that's been told before the Truman Committee of the Senate—that this agreement **DID** exist between Mr. Hillman and the American Federation of Labor . . . and that unless the A. F. of L. continued to have a complete exclusive monopoly on all government construction work, it would call a strike on all government construction that already had been started.

Now, as for the spot news on this situation, tonight—here it is . . .

I learned late this afternoon, that since I first gave you that story about the Currier case in Detroit, the War Department has turned things upside down, with an investigation. They have learned about this situation at Camp Chaffee, and while the Blair Construction Company doesn't know about it yet, special investigators from the War Department here, have been sent to Arkansas . . . and they actually have been there on the scene, at Camp Chaffee, all day today.

Far more important than that—regardless of what Mr. Sidney Hillman and his labor division of O. P. M. may say about this being government labor policy—the War Department has sent out special orders to all representatives in the field, who have any connection with construction jobs or contracts . . . and those orders are that—so far as War Department contracts are concerned—the American Federation of Labor does **NOT** have any monopoly of any kind. It says that this supposed agreement between Mr. Hillman and the American Federation of Labor is not to be construed as barring any C. I. O. worker, or non-union worker from employment on a government construction job.

And it says that the government cannot discriminate against any worker, because he **IS** or is **NOT** a member of any particular union.

So the War Department refuses to accept Mr. Hillman's policy . . . and with these developments I've told you about at Camp Chaffee, the plot becomes thicker.

The following document was submitted for the record by Sidney Hillman in connection with his testimony, *supra*, page 2495.

WAR DEPARTMENT, May 10, 1941.

MR. SIDNEY HILLMAN.

Associate Director General, Office of Production Management.

New Social Security Building, Washington, D. C.

DEAR MR. HILLMAN: In accordance with your request, I am summarizing here-with our discussion on May 9, 1941.

LABOR SITUATION AT THE PANAMA CANAL ZONE

There are in the Zone, three governmental agencies—the Panama Canal Zone, the Navy Department and the War Department—which employ building construction labor. The Navy and War Departments have large scale operations on a Force Account basis in addition to their great volume of contract work. Prosecution of the work by the several agencies and the many independent contractors has resulted in widely varying standards of wages, hours, and working conditions. Some attempt at coordination has been made with the establishment of a Central Labor Clearance Board to prevent unnecessary transfers from one agency to another.

Since the Bacon-Davis Act is not applicable in the Panama Canal Zone, it is recommended that the Office of Production Management request the Governor of the Canal Zone to establish by fiat, after consultation with the agencies involved—

1. A uniform wage standard for each classification of skilled mechanics employed in the Zone.
2. Uniform rates of wages for work performed in excess of 8 hours per day and on Saturdays, Sundays and holidays.
3. Uniform standards and methods for recruiting skilled mechanics from the United States.

This office will be glad to assist you in any preliminary study or research necessary to bring about the objectives set forth above.

CONTROL OF WAGE RATES DURING LIFE OF JOB

It is the usual custom in the construction industry to finish a specific job at the wage rates in force at the beginning of the job. On national defense con-

struction projects, however, it is becoming the practice of some of the building trades unions or groups of employees to demand wage increases in the middle of the job. These demands are based largely on new agreements but in some cases are made when no agreement between employee and employer groups has been reached.

It is recommended that the Office of Production Management supplement its labor policy with a statement to the effect that the wage rates prevailing at the beginning of the job shall continue until its completion, and that new agreements become effective only on new jobs started or new contracts signed after the employer-employee agreement is negotiated.

PREMIUM RATES FOR OVERTIME AND WORK ON SATURDAYS, SUNDAYS AND HOLIDAYS

The Building Trades Department of the American Federation of Labor announced in Miami in February that its affiliated International Unions had agreed to accept payment of time and one half for all overtime work on national defense projects. Actually the individual unions have continued to demand double time in those areas in which double time is the prevailing practice and no effort has been made on the part of either the Building Trades Department or the International Unions to enforce the time and one half provision accepted at Miami.

An analysis of the premium rates paid on construction projects supervised by the Quartermaster General's Office is attached for your information.

It is recommended that the stipulation in House Document 950, which has to do with the general principles governing the letting of defense contracts, including the labor policy adopted by the National Defense Advisory Commission, be amended. The pertinent part now reads:

"When the requirements of the defense program make it necessary to work in excess of these hours, or where work is required on Saturdays, Sundays, or holidays, overtime should be paid in accordance with the local recognized practices."

Recommendation is made that this be changed to read:

"When the requirements of the defense program make it necessary to work in excess of these hours, or where work is required on Saturdays, Sundays or holidays, overtime shall be paid at a rate not to exceed one and one half times the basic rate."

THE CONTROL WITHIN REASONABLE LIMITS, OF MIGRATION OF LABOR

This office has successfully controlled the activities of those contractors under its jurisdiction who were attempting, by offers of increased wages or other inducements, to employ workers of other contractors in the same or adjacent labor markets.

The following telegram from Mr. J. P. Morrin, International President of the Bridge, Structural and Ornamental Iron Workers, is quoted to indicate that it is the practice, also, of some unions to encourage the migration of labor.

"W O Cook business agent Kaukakee Iron Workers Local American Bridge Company on national defense job Curtiss Wright Plant Columbus Ohio paying double time for all overtime. Working ten hours a day six days a week. Desire to have six riveting gangs and some raising men on this job. Transportation and traveling time paid to job. In two weeks will need three hundred men at small arms plant at St. Louis paying dollar seventy five per hour and double time for all overtime. Wire answer. Curtiss Wright Plant being financed by RFC subsidiary.

(Signed) J. P. MORRIN, *President.*"

It is recommended that the Office of Production Management take whatever action is necessary to discourage such activities.

I will be glad to place the facilities of this office at your disposal to assist in bringing the recommendations set forth above to a successful conclusion.

For the Quartermaster General:

Sincerely yours,

BREXON SOMERVELL,
Brigadier General, U. S. A.,
Assistant.

The following document was submitted for the record by Sidney Hillman in connection with his testimony, supra, page 2496.

MARCH 29, 1941.

SECOND RESOLUTION

Whereas, There have been many newspaper articles of criticism and condemnation directed at the Building and Construction Trades Organizations of the AFofL in relation to the collection of permit monies, privilege dues and initiation fees on defense construction projects,

And whereas, This volume of unfair and unjust propaganda is a reflection on the integrity of the Building and Construction Trades Department of the AFofL, and has been the cause of creating doubt as to the integrity of our organizations in the minds of the general public, government officials and many members of Congress,

Be it resolved, That in the event of any of our Building and Construction Trades employers who are recognized as being fair to organized labor secure contracts for the Building and Construction of defense projects,

And be it further resolved, That where any and all of the Building and Construction Trades organizations are unable to supply a full force of building trades men to man such projects, each and every organization affiliated with this department agrees that such union employer shall be privileged to employ other than members of the various Building and Construction Trades affiliated with this Department until such time as the various organizations affiliated with the Department are able to replace these non-union men with members of their organizations or until such non-union men are requested to become members of their respective unions,

And be it further resolved, That where such condition exists no payment of privileged monies shall be collected under any circumstances; no initiation fees or other union obligations shall be collected from these non-union men except where they can qualify for membership and have been requested to become members of their respective organizations and have been accepted,

Be it further resolved, That when such obligations are received that the initiation fee shall be the minimum possible in view of the benefits received in such organizations and that reasonable time will be granted for the payments of such initiation fees.

The following document was submitted for the record by Sidney Hillman in connection with his testimony, supra, page 2511.

OCTOBER 31, 1941.

MR. SIDNEY HILLMAN,

Associate Director General, Office of Production Management,

Washington, D. C.

DEAR MR. HILLMAN: In response to your request for information as to whether or not any American Federation of Labor unions have refused to work on prefabricated defense housing projects or on defense housing construction using prefabricated materials, I wish to advise you that in the entire record of defense housing construction there is no single instance of such refusal. This has been verified and fully confirmed by labor relations directors of all agencies of the Federal Government engaged in the construction of defense housing.

In addition to the instances you have mentioned, defense housing of prefabricated construction has been built by the American Federation of Labor unions under the supervision of the following agencies and in the following communities: Federal Works Agency: San Diego, California; U. S. Housing Authority: Charleston, S. C.; Farm Security Administration: Umatilla, Stanfield, Oregon; and Jacksonville, North Carolina.

In no case has there been a stoppage of work because of the use of prefabrication on a defense housing project employing our membership. Nor has prefabrication itself ever been an issue involving our unions in any labor dispute in defense housing.

Our unions have protested and will protest the low wages established in the production of building materials and in housing construction, whether prefabricated or not, wherever such wages are unfair and substandard. Our unions have protested and will continue to protest the construction of any housing for workers,

whether prefabricated or not, which is unsafe, insanitary and detrimental to the health and welfare of workers' families. Our unions have not offered and will not oppose prefabrication as such.

Anyone familiar with the building industry, at first hand, knows that a vast number of new materials and new methods has been introduced into our industry in recent years. Each new material and method calls for displacements and readjustments which are sometimes difficult and painful. But the very skyscrapers, large-scale housing structures, streamlined factory buildings, bridges and highways which have placed our country ahead of any other in technical construction achievement are solid and conclusive proof that union labor which has built these structures has gone hand in hand with the pioneers of true technical progress in the building and construction industry.

Sincerely yours,

RICHARD J. GRAY,
Acting President.

The following document was submitted for the record by Sidney Hillman in connection with his testimony, *supra*, page 2508.

RESOLUTION

Whereas: That the Delegates to the General Council of Ford Local 600 assembled speaking for 90,000 Ford Workers of the U. A. W. A. of the River Rouge Plant, believe in a solidified and United Labor Organization, and

Whereas: The jurisdictional disputes which have recently arisen between some of the C. I. O. affiliates, the A. F. of L. Teamsters Union and some of the Railroad Brotherhood are not calculated to help promote unity, but disruption, and

Whereas: If the organizers and representatives of these various organizations had followed the principles of organizing the unorganized, rather than resorting to union raiding tactics, these disputes would never have arisen, and

Whereas: We believe that in these times of National Emergency, when the President of the United States, has already called for national unity to defeat Hitlerism, that the efforts of Labor in the U. S. A. should be directed towards fighting the enemies of democracy and the foes of labor.

Therefore be it resolved: That the Delegates to the General Council of Ford Local 600 assembled speaking for 90,000 Ford Workers members of the U. A. W. A. condemn all sides in this needless quarrel, and urge them to settle their differences around the conference table, and

Be it further resolved: That copies of this resolution be sent to Philip Murray, National C. I. O. President, and that our Delegates through the International Executive Board be asked to present this resolution to the coming National Convention of the C. I. O.

The following document was submitted for the record by Sidney Hillman in connection with his testimony, *supra*, page 2526.

[From the Detroit Free Press September 16]

Resolution passed by Chrysler Local U. A. W.—CIO

"We believe that a united labor movement in the jurisdictional disputes which have recently arisen between various CIO affiliates, the AFofL Teamsters' Union, and some of the railroad brotherhoods, are not calculated to create unity but disruption. These disputes would not have arisen if the CIO principle of organizing the unorganized had been followed."

The resolution continued—

"Therefore, be it thereby resolved that we go on record condemning all sides in this dispute, and urge them to settle their differences at the conference table."

William Marshall resigned as President of Chrysler No. 7. He said that he did not believe that "either the CIO or AFofL should raid jurisdictional fields."

One of the CIO affiliates at which the resolution apparently was aimed, was the United Construction Workers, which has announced plans to sign up drivers in defiance of the AFofL Teamsters' Union. It was believed that support for the auto workers would be necessary to successful construction workers' drive. Union officials pointed out that the resolution condemned all sides, hitting also AFofL unions which have invaded CIO fields.

The following data is included in connection with the testimony of Nathan Straus, *supra*, page 2646.

FEDERAL WORKS AGENCY,
UNITED STATES HOUSING AUTHORITY,
Washington, November 5, 1941.

Honorable HARRY S. TRUMAN,

Chairman of the Special Senate Committee Investigating the National Defense Program, United States Senate, Washington, D. C.

MY DEAR SENATOR TRUMAN: During the course of my statement before your committee last Wednesday, Senator Hatch requested a list of personnel transferred from the United States Housing Authority to the Federal Works Agency staff.

There is enclosed a list of employees taken from USHA by the Federal Works Agency since September 1, 1940. I wish to emphasize that in each case the particular employee was requested by name and, of course, in each case it was necessary for us to recruit a new employee and train him in the complex and novel field of public housing. Besides the employees permanently transferred, numerous additional professional and administrative employees have been requested by FWA for assignments ranging from a few days to several months.

The list does not include any employees transferred from the USHA to the FWA pursuant to the provisions of the Reorganization Act nor does it include people who were on furlough with us or were about to be furloughed when transferred to FWA or one of its agencies.

In addition, there have been interruptions in the work of many of the principal officers of this Authority, due to demands on their time by FWA in connection with the defense housing activities of its various divisions.

Faithfully yours,

NATHAN STRAUS, *Administrator.*

Employees taken from USHA since September 1, 1940

Name	Title	Salary	Left USHA
*Little, Roy M.	Principal Land Appraiser	\$6,400	5/12/41
*Colvin, H. Milton	Principal Attorney	5,600	2/1/41
Turner, Burnett C.	Principal Architect	5,600	6/10/41
Wegg, Talbot	Principal Housing Project Planner	5,600	12/28/40
Jetter, George	Senior Construction Engineer	5,400	9/16/41
Hatensky, Samuel	Senior Architect	4,800	5/8/41
Scheibel, Emil	Senior Construction Engineer	4,600	6/23/41
Voigt, Raymond A.	Housing Manager	4,600	3/4/41
Peterson, I. Emerich	Principal Personnel Training & Employee Relations Technician	4,200	2/15/41
Reese, Stanley C.	Architect	4,000	7/29/41
*Tesone, Olivia F.	Architect	4,000	6/9/41
*Graham, John, Jr.	Project Planner	3,800	9/20/41
Rattner, Raymond	Construction Cost Analyst	3,800	8/19/41
Riegel, LeRoy A.	Project Planner	3,800	5/12/41
*Stern, Charles	Assistant Director of Personnel for Defense	3,800	9/29/41
Waldenfels, F.	Classification Reviewer	3,800	8/8/41
Clair, Clifford R.	Associate Housing Management Supervisor	3,200	3/19/41
Mitchell, Mildred	Associate Housing Sociologist	3,200	4/7/41
*Ridpath, Warren H.	Associate Housing Management Adviser	3,200	5/16/41
Walton, Cortlandt	Associate Housing Management Supervisor	3,200	2/23/41
Cooke, Mary	Assistant Project Planner	2,700	10/27/41
Hobbs, Junius	Principal Clerk	2,700	9/1/41
*Carr, Robert S.	Administrative Assistant	2,600	4/16/41
Gifford, Earl W.	Senior General Mechanic	2,040	4/15/41
Steck, Rose	Assistant Clerk Typist	1,740	4/19/41
Antonsen, Gustaf	Assistant Supply Clerk	1,680	6/15/41
Sills, Ida B.	Assistant Clerk Stenographer	1,680	2/1/41
Brown, Geraldine G.	Assistant Clerk Stenographer	1,620	3/10/41
Elliott, Nelle F.	Assistant Clerk Stenographer	1,620	1/5/41
Hamilton, Luella H.	Assistant Clerk Stenographer	1,620	10/8/41
Jones, Mary E.	Assistant Clerk Stenographer	1,620	6/30/41
Ragland, Sarah M.	Senior Stenographer	1,620	3/31/41
Rowe, Selma	Senior Stenographer	1,620	3/7/41
Watson, Richard	Assistant Statistical Clerk	1,620	4/21/41
Bingham, Kathleen B.	Senior Typist	1,560	11/28/40

*Employees now on detail as distinguished from others who have been transferred.

Employees taken from USHA since September 1, 1940—Continued

Name	Title	Salary	Left USHA
Gordon, Ruth	Junior Stenographer	\$1,560	8/24/41
Clary, Ethel M.	Junior Clerk Stenographer	1,440	5/20/41
Gold, Henry L.	Junior Mail, File Clerk	1,440	8/24/41
Goodwin, Dorothy L.	Junior Clerk Stenographer	1,440	7/2/41
Harton, Julia	Junior Clerk Typist	1,440	6/1/41
Hoffman, Virginia	Junior Clerk Stenographer	1,440	9/10/41
King, Rita M.	Junior Stenographer	1,440	9/4/41
Moody, Leah R.	Senior Typist	1,440	4/1/41
* O'Bryan, J. Roy	Junior Mail, File Clerk	1,440	9/25/41
Richards, Phyllis E.	Senior Typist	1,440	4/28/41
Sullivan, Hannah N.	Junior Clerk Typist	1,440	9/30/41
Thompson, Janice	Junior Stenographer	1,440	10/27/41

* Employees now on detail as distinguished from others who have been transferred.

The following data is included in the record in connection with the testimony of Charles F. Palmer, *supra*, pages 2383-2409.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE FOR EMERGENCY MANAGEMENT,
DIVISION OF DEFENSE HOUSING COORDINATION,
Washington, D. C., October 27, 1941.

HUGH A. FULTON, Esquire,
*Counsel for Truman Committee,
Room 160, Senate Office Building, Washington, D. C.*

DEAR MR. FULTON: In the course of Mr. Palmer's testimony before the Committee on October 8, he promised to obtain and submit to the Committee exact information with respect to certain questions.

This information follows:

1. *The situation at North Weymouth, Massachusetts.*—The question was raised why land was purchased in this town and not built upon even though the site is stated to be convenient to the Fore River Shipyards.

The Locality Program Report for the Boston area, approved November 29, 1940, provided for (a) 50 units to be built by the Navy for its Reserve Naval Base; (b) 50 additional units for the same purpose; and (c) 1000 units to be provided by the Federal Works Agency in Boston.

The Report specifically recommended that the last item should be located in Boston, and 873 units were provided by the purchase of the Boston-USHA-aided project. The reasons for this policy were stated in Mr. Palmer's testimony. To make up the difference between the units provided and those required by the Locality Program Report, the Federal Works Agency, contrary to the recommendations in the Report, acquired a site in Weymouth, Massachusetts. This evoked a protest from select-men of that town and others, partly on the ground that the proposed construction was not appropriate to the town and would upset its economy after the emergency.

At this time it was recognized that occupancy in the Boston project would be spread out over some months to accord with the hiring schedule of the shipyards. It was, therefore, concluded that further action in Weymouth should be deferred, particularly in view of the fact that it was not in accord with our recommended program. Since 818 of the 873 dwelling units of the Boston project were under lease on October 15, further consideration is now being given to use of the Weymouth site.

2. *Methods of Determining Rental Schedules.*—Enclosed herewith are (a) Division of Defense Housing Coordination Procedures in the Preparation of Locality Occupancy Programs, which indicate the general approach to the problem; (b) Procedure for Including Rents in Locality Occupancy Programs, which includes FWA Statement of Policy on Rentals, dated September 26, 1941. This statement consists of a revised rental schedule for housing constructed by FWA under the Lanham Act. (c) A memorandum of previous rental schedules of FWA and schedules of other agencies.

3. *Methods of Tenant Selection.*—The Coordinator's approach to this problem is outlined in the enclosure listed in 2 (a) above. In addition, there is enclosed herewith an outline of tenant selection methods employed by each of the following agencies: Federal Works Agency, United States Housing Authority, Navy, Army, Defense Homes Corporation, Farm Security Administration, and Maritime Commission.

4. *Building Codes and the Standard Government Plumbing Manual.*—(BMS-66, prepared by a Sub-Committee on Plumbing of the Central Housing Committee and issued November 22, 1940). There is attached herewith a brief memorandum on this highly important subject, which will serve merely to point the problem and to mention a few of the efforts to solve it.

5. *Explanation of Lag in Occupancy.*—(a) Housing projects. (b) Temporary shelter.

There is submitted a memorandum, in the case of each locality with respect to which question was raised, stating the reasons why occupancy appears to be lagging. It can be stated in general that occupancy in most of these localities has increased sharply in recent weeks in tune with acceleration of employment schedules. You will recall that Mr. Palmer stated to the Committee (and to other committees concerned with housing) that in most cases occupancy lag was caused by delay in anticipated employment schedules in the defense activities which these projects were designed to serve. This is sharply illustrated in Orange, Texas.

In this locality, the picture to the outside observer did not appear encouraging. Since August 30 the shipyard has increased its force by 1,350 men to a total of 3,479, and it is expected that 1,000 additional workers will be employed during the present month. This has been immediately reflected in occupancy, the dormitory occupancy showing an increase of 100 in 2 weeks. The projects in Orange now show the following occupancy record, and additional housing has been programmed:

	Pro-grammed	Occupied
Navy project.....	500	403
FWA project.....	200	197
FSA dormitory project.....	408	236

As of October 15, a summary of occupancy shows the following:

- Navy projects, 90% Occupied.
- FWA-Army projects, 65% Occupied.
- FWA-Other projects, 82% Occupied.
- FSA trailer projects, 81% Occupied.
- FSA dormitory projects, 60% Occupied.

6. *Demountable housing.*—The question was raised why certain projects were constructed in the conventional manner, although the Coordinator recommended demountable-type housing. The attached memorandum shows that there was no explanation except that the Federal Works Agency did not follow the recommendation. As the result of a conference in March 1941, this has been cleared and all subsequent recommendations for demountable housing have been followed.

Very truly yours,

HERBERT S. COLTON,
Legal Adviser.

2. Methods of Determining Rental Schedules:

- (a) Procedures in the Preparation of Locality Occupancy Programs.
- (b) Procedure for Including Rents in Locality Occupancy Programs.
- (c) Previous rental schedules for FWA and schedules of other agencies.

**DIVISION OF DEFENSE HOUSING COORDINATION, MANAGEMENT DIVISION—PROCEDURES
IN THE PREPARATION OF LOCALITY OCCUPANCY PROGRAM AND SAMPLE LMR**

**I. GENERAL RESPONSIBILITY OF THE DIVISION OF DEFENSE HOUSING COORDINATION
REGARDING OCCUPANCY PROGRAMS**

The Division of Defense Housing Coordination is primarily concerned with the management programs for defense housing in so far as management policies might affect the availability of the houses for defense workers. In order that the relationship of local projects to each other and to the general local defense program may be clearly understood, it is necessary that certain uniform policies be followed. The responsibility of the Division of Defense Housing Coordination extends only to the proper coordination of local occupancy programs and does not relate to the administrative details of project operation. Whenever a Regional Coordinator believes that it is desirable to recommend that a specific agency be assigned the job of project management, he should discuss the matter orally with the agency or agencies responsible for selecting the management agency. Any agreement reached as a result of such conversations should be confirmed in a letter for the Assistant Coordinator's signature.

**II. RESPONSIBILITY OF THE REGIONAL COORDINATOR REGARDING LOCAL OCCUPANCY
PROGRAMS**

A. Local Management Meetings.

1. As referred to in Section B-2 of the Management Manual of the Division of Defense Housing Coordination, the responsibility for calling local management meetings rests with the Regional Coordinator. The Regional Coordinator should determine an appropriate date in consultation with the Management Division and all agencies which will manage projects in the locality in question. Management meetings should be held whenever possible 60 to 90 days prior to the date of initial occupancy. Information regarding the scheduled date of initial occupancy can be secured from the Management Division.
2. In general, management meetings should be held in every locality where there is more than one government defense housing agency involved, or where more than one defense industry or activity will use the housing. This does not preclude the holding of a meeting and preparation of an LMR under other conditions, if the Regional Coordinator sees fit.
3. The Regional Coordinator is responsible for determining who will attend the local management meetings. He may invite as few or as many persons as he sees fit. However, in each case, each management or construction agency should be invited to send a representative to the local meeting. Letters of invitation should be prepared well in advance of the meeting (multigraphed forms can be obtained from the Office Service Section).
4. Prior to leaving for a management meeting, the Regional Coordinator should
 - a. Review the Locality Program Report.
 - b. Secure from the Analysis Division any data obtained subsequent to the Locality Program Report which would be helpful in considering management policy.
5. Either in Washington or in the locality, and prior to the management meeting, a discussion of a tentative occupancy program should be outlined with the Washington representative of the agencies responsible for management.
6. It is desirable that the Regional Coordinator, upon arrival in a locality where a management meeting is scheduled, review the project site before the management meeting.

B. Preparation, Review and Approval of the Locality Management Report.

1. A Locality Management Report should be prepared for every public defense housing program for which a management meeting has been held, and for other programs if the Regional Coordinator so desires. If no L. M. R. is prepared, the Regional Coordinator should transmit to the management agency any pertinent information obtained subsequent to the writing of the L. P. R.

2. Each Locality Management Report should be addressed to (1) the War and/or Navy Departments, and the Maritime Commission, if concerned, and to (2) the agency or agencies responsible for the designation of the management agency.
3. Immediately upon completion of a management meeting, the Regional Coordinator will prepare a Locality Management Report (See L. M. R. outline below). When an L. M. R. has been prepared in tentative draft, it is routed to the Management Division for review, and then to the Program Supervisor. The comments of the Management Division and the Program Supervisor are then considered by the Regional Coordinator in revising the L. M. R. When such revision has been completed, the L. M. R. is stencilled, and the resulting mimeographed copies, marked "Tentative—For Comment", are circulated. Comments received within a ten-day period are reviewed by the Regional Coordinator, in cooperation with the Management Division and the Program Supervisor. Indicated revisions, if any, are then made and at the end of a ten-day period, the L. M. R. marked "Approved" and signed by the Coordinator, is circulated.
4. Where it is deemed desirable, in the light of further developments, to alter details of the Locality Management Program, an addendum will be prepared, reviewed by the Management Division and the Program Supervisor, approved by the Coordinator, and forwarded to the agency responsible for the designation of the management agency. When in the judgment of the Regional Coordinator the Locality Occupancy Program must be changed in a major respect, a new LMR should be prepared.
5. In addition to the LMR, the Regional Coordinator, subsequent to a management meeting, should prepare a memorandum for his file listing the names of those who attended the meeting and such other pertinent information not appropriate for the LMR, as he deems advisable.

C. Review of Occupancy Statistics.

1. The Regional Coordinators should keep continuously informed on the occupancy of defense housing projects first, as the occupancy information relates to future programming in the area, and second, as this information reveals the extent to which the programmed housing is fulfilling defense housing needs.
2. When occupancy reports reveal that defense housing projects are not being properly or thoroughly utilized for defense needs, the Regional Coordinator should discuss the matter with the Management Division, and make recommendations to the agency or agencies concerned regarding appropriate action. Such recommendations should be transmitted by memorandum prepared for the Assistant Coordinator's signature.

III. There follows an outline of a typical Locality Management Report. These reports should be written on the office letterheads and should follow this form.

MEMORANDUM

To: (The War Department, Navy Department, or Maritime Commission) (The Agency or Agencies responsible for designation of the management agency).
 From: C. F. Palmer, Coordinator of Defense Housing.
 Subject: Locality Management Report No. 2, Defense Town, Wyoming, Locality (This Locality Management Report contains specific data relating to the occupancy of defense housing projects Wyoming-40013, and for the integration of management policies of these projects with the locality program as a whole. These data are the result of a meeting held at Defense Town on ———, 1941.)

I. COORDINATED LOCALITY OCCUPANCY PROGRAM

Project Number	Defense Activity	No. of Dwelling Units		E C or O	Present Sched. Date of Occupancy	Family Income Range ¹	Mgmt. Agency ²	Const. Agency ³
		Fam.	Dorm.					
A. DEFENSE HOUSING PROJECTS PREVIOUSLY OPENED FOR OCCUPANCY								
Wyoming - 40012(T).	Defense industry*.	450 Tr.	200	C	6/15/41**	{ \$1200 3000 }	FSA.....	FSA
B. DEFENSE HOUSING PROJECTS NOT YET READY FOR OCCUPANCY PROGRAM								
Wyoming - 40014-X.	Defense industry.	300.....	-----	C	12/15/41..	{ ³ \$1200 ³ 1800 }	FWA.....	FWA-USHA.
C. PROJECTS FOR WHICH OCCUPANCY PROGRAM IS REFERRED TO HEREIN								
Wyoming - 40011.	Defense industry.	300 -----	-----	C	9/30/41...	{ ⁴ \$1200 ⁴ 2200 }	FWA-USHA	FWA-USHA
Wyoming - 40013.	Defense industry.	200.....	-----	C	10/30/41..	{ \$2200 3000 }	DHCorp.....	DHCorp.

¹ See Part II, Section B, for detailed discussion.² Determined by the agency receiving the allocation.³ Tentative; determined from Locality Program Report.⁴ Subject to such exceptions as are noted below in II, B, 1. b.

* Do not specify individual industries at this point. These are to be listed below in Part II.

** This date should be obtained from the Management Division.

II. DETAILED DISCUSSION—CRITERIA FOR OCCUPANCY

A. *Defense Industries in Locality.*

In selecting families for project Wyoming-40011 and 40012, employees of the following industries should be considered eligible in relation to their respective needs:

(List all or principal defense industries)

B. *Basis of Determination of Income Range.*

This section should:

1. Explain in detail the reasons for—

a. Establishing the specific income ranges agreed upon for that part of the coordinated occupancy program described in this report. (In this case, see I, C, above—the income range established is \$1200–2200. Thus, the explanation at this point should set forth the reasons for the establishment of this range. For example: “The lower limit of the income range is set at \$1200 because it has been determined that eligible defense workers will be earning at least this amount. The upper limit is set at \$2200 because Project No. Wyoming-40013, Defense Homes Corporation, will provide housing for workers with incomes above this figure.”

b. Providing for deviations from this range. Thus whenever it has been agreed upon at the management meeting to permit occupancy by workers with incomes higher than the maximum designated in the LMR, but who cannot otherwise find suitable housing, this agreement should be recorded at this point. It should also be indicated, when appropriate, that some workers with incomes lower than that designated may be considered eligible. For example: “Because there will be need for housing some essential skilled workers with incomes above \$2200 before Project No. Wyoming-40013, Defense Homes, is available for occupancy, exceptions may be made when need is shown and these workers may be housed in Project No. Wyoming-40011.”

2. Designate the income grades and the percentage of families in each grade.
For example:

The families for which Project Wyoming-40011 is primarily intended have incomes ranging about as follows:

Income Range:	Number families
\$1200-1500 -----	60%
1500-1800 -----	25%
1800-2200 -----	15%
Total -----	100%

c. Order of Preference in Selection of Tenants.

- 1. Applicants living in trailers or other temporary shelter.
- 2. Applicants whose domiciles are beyond reasonable commuting distance from the defense industry.
- 3. Applicants desiring to bring their families from their domiciles elsewhere.
- 4. Applicants living under doubled up or overcrowded conditions.
- 5. Applicants evicted by landlords because house is sold.
- 6. Applicants living under sub-standard housing conditions.

The LMR, by appropriate discussion at this point, should indicate.

- a. The extent to which these preferences should each be exhausted in the order appearing in the particular LMR, or
- b. The proportionate rating that each category should be given. For example, it may be determined that the conditions in the community demand that applicants in groups 2, 3, and 4, above, should be given equal consideration for housing in the program concerned.

-----, 1941.

Regional Coordinator.

-----, 1941.

Coordinator.

ADDENDA TO LMRS

Whenever a change is made in a project after an approved LMR has been issued, an addendum should be prepared describing this change. A new LMR need not be written until a new project is to be considered.
A typical addendum follows:

MEMORANDUM

To: (The War Department, Navy Department, or Maritime Commission)
(The Agency or Agencies responsible for designation of the management agency).
From: C. F. Palmer, Coordinator of Defense Housing.
Subject: Locality Management Report No. 2; Addendum No. ---; Defense Town, Wyoming, Project ---.

This is an addendum to LMR No. 2 for the above named locality approved by the Coordinator on ---. Subsequent to the issuance of that LMR, changes have been made as follows:

- 1. The income limits have been revised.

I. RECOMMENDATIONS FOR LOCALITY PROGRAM

Project Number	Defense Activity	No. of Dwell- ing Units		E C or O	Scheduled Date of Occupancy	Income Range*	Mgmt. Agency	Const. Agency
		Fam.	Dorm.					
Wyoming-40013.	{ Defense In- dustry. }	200	-----	C	10/30/41	{ \$2, 200 3, 600 }	DH Corp.	DH Corp.

*Change in content of LMR No. 2, dated -----.

Prepared : -----, 1941.

Regional Coordinator.

Approved : ----- 1941.

Coordinator.

PROCEDURE FOR INCLUDING RENTS IN LOCALITY OCCUPANCY PROGRAMS

As a result of recent discussions between this office and the management agencies, the LOPs will hereafter include a statement of rents. Blank forms for LOPs are available, and a sample is attached to this memorandum. The LOPs will be recognized by the management agencies as the authoritative record of the rents, tenant selection preferences, income ranges, and defense industries for each locality; any changes must be reflected in addenda to the LOP.

The procedure for including rents in LOPs, and an outline of the responsibilities of the Regional Coordinators in reviewing rents follow:

Procedure for future LOPs

1. Regional Coordinator will determine from the management agencies, through the Management Division, Division of Defense Housing Coordination, the rents proposed by the agencies for the locality Occupancy Conference (if one is to be held) and prior to preparation of a suggested Locality Occupancy Program.

2. The Regional Coordinator will review with the Management Division, DDHC, the proposed rents in terms of their fulfillment of the programming and the needs of the locality in question, i. e., the rent paying habits in the locality and the incomes of proposed tenants.

3. If the proposed rents are satisfactory, the following procedure will be followed:

a. In localities with more than one management agency, the Locality Occupancy Conference will be held and the tentative LOP will be prepared according to the usual procedure, with a part III added to include rent schedules.

b. In localities with only one management agency, the tentative LOP will be prepared according to the usual procedure, i. e., without a local occupancy conference. It will include a part III with rent schedules.

4. If changes seem desirable in rents proposed, the Regional Coordinator will institute discussions with the agencies on the subject. This may be done in Washington for localities with one management agency, or through the Locality Occupancy Conference in localities with more than one management agency. Tentative agreement should be reached concerning rent schedules, and a tentative LOP drawn up and sent through the usual procedures.

5. Changes in rent schedules can be made at any time through an LOP addendum. Such addendum will be prepared after the proposed changes, no matter by whom they may be recommended, have been discussed by the management agency in cooperation with the Regional Coordinator and Management Division of DDHC.

Procedure for LOP addenda for localities for which LOPs have already been issued

6. For LOPs already issued, an addendum citing rents should be prepared by the Regional Coordinators. Rents should be determined for these localities as indicated above, and included in the addendum. If differences from the rent schedules established are thought desirable, discussions with the agencies should be undertaken and agreement reached. The addendum should then include the schedules as agreed upon.

3283-A

FWA-DH-Circ 225

September 26, 1941

FEDERAL WORKS AGENCY, DIVISION OF DEFENSE HOUSING

STATEMENT OF POLICY ON RENTALS

(This supersedes FWA-DH-Circ 131, dated May 2, 1941 (FWA 4349))

I. Enlisted personnel and Civil Service employees of the War Department

- A. Enlisted personnel of the Army receiving an allowance for quarters and Civil Service employees of the War Department stationed at Army posts, bases, and military reservations shall be charged shelter rent in accordance with the following schedule.

1 bedroom-----	\$21.00
2 bedrooms-----	\$23.50
3 bedrooms-----	\$23.50

- B. Enlisted personnel of the Army not receiving an allowance for quarters shall be charged shelter rent in accordance with the following schedule.

1 bedroom-----	\$11.00
2 bedrooms-----	\$13.00
3 bedrooms-----	\$15.00

The above figures represent shelter rent charges. An additional charge shall be made for utilities.

II. Enlisted personnel of the Navy Department

- A. Enlisted personnel of the Navy receiving an allowance for quarters shall be charged shelter rent in accordance with the following schedule.

1 bedroom-----	\$21.00
2 bedrooms-----	\$23.50
3 bedrooms-----	\$26.00

- B. Enlisted personnel of the Navy Department not receiving an allowance for quarters shall be charged shelter rent in accordance with the following schedule.

1 bedroom-----	\$11.00
2 bedrooms-----	\$13.00
3 bedrooms-----	\$15.00

The above figures represent shelter rent charges. An additional charge shall be made for utilities.

III. Army and Navy civilians, industrial workers, and others

- A. Army and Navy civilian employees, industrial workers and others not covered in categories already listed shall pay shelter rent charges in accordance with the following schedule.

1 bedroom-----	\$27.50
2 bedrooms-----	\$30.00
3 bedrooms-----	\$32.50

The above figures represent shelter rent charges. An additional charge shall be made for utilities.

- B. Variations from this schedule of rents shall be permitted, subject to approval of the Administrator under the following circumstances.

1. In localities where there are marked differences in amenities in dwellings in the same project and in different projects.
2. In localities where the established rental pattern of other public and private housing varies materially from the above schedule.

- C. The highest shelter rent that can be charged for dwellings in defense housing projects shall be \$37.50 per month.

- D. This rental policy shall be applied in accordance with the procedure which shall be established by the Division of Defense Housing.

JOHN M. CARMODY, *Administrator.*

(Form to be used in drafting Locality Occupancy Program)

MEMORANDUM

To: War Department
Navy Department
Maritime Commission
Federal Works Agency
United States Housing Authority
Farm Security Administration
Defense Homes Corporation

From: C. F. Palmer, Coordinator of Defense Housing.
Subject: Locality Occupancy Program No. _____, _____, _____, Locality.
(This Locality Occupancy Program contains specific data relating to the occupancy of defense housing projects _____ and _____, and for the integration of occupancy policies of these projects with the locality program as a whole. These data are the result of a meeting held at _____ on _____, 1941.)

I. COORDINATED LOCALITY OCCUPANCY PROGRAM

A. DEFENSE HOUSING PROJECTS FOR WHICH OCCUPANCY PROGRAM HAS BEEN PREVIOUSLY ISSUED

Project Number	Defense Activity	No. of Dwelling Units		E C or O	Present Scheduled date of Occupancy	Family Income Range ¹	Rent Ranges ²	Mgmt. Agency ³	Constr. Agency ⁴
		Fam.	Dorm.						
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

B. DEFENSE HOUSING PROJECTS NOT YET READY FOR OCCUPANCY PROGRAM

_____	_____	_____	_____	_____	_____	_____	(⁴)	(⁴)	_____
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¹ See Part II, Section B, for detailed discussion.
² See Part III for detailed rent schedules.
³ Determined by the agency receiving the allocation.
⁴ Tentative; determined from Locality Program Report.

C. PROJECTS FOR WHICH OCCUPANCY PROGRAM IS REFERRED TO HEREIN

_____	_____	_____	_____	_____	_____	_____	(⁵)	_____	_____
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⁵ Subject to such exceptions as are noted above in II, B.

II. DETAILED DISCUSSION—CRITERIA FOR OCCUPANCY

- A. *Defense Industries in Locality*
In selecting families for projects _____, employees of the following industries should be considered eligible in relation to their respective needs:
- B. *Basis of Determination of Income Range*
The lower limit of the income range is set at \$_____ because:
The upper limit is set at \$_____ because:
The families for which _____ is/are primarily intended have income ranging about as follows:
Income Range. Percentage of Families.
- C—*Order of Preference in Selection of Tenants.*
Applicants living in trailers or other temporary shelter.
Applicants whose domiciles are beyond reasonable commuting distance from the defense industry.

Applicants desiring to bring their families from their domiciles elsewhere.
 Applicants living under doubled-up, overcrowded or other sub-standard conditions.
 Applicants evicted by landlords because house is sold.

III. RENT SCHEDULES

(Include here different rents for different income groups, if this has been the plan agreed upon. This section should indicate the complete rent schedules, with all pertinent details.)

-----, 1941	-----, 1941
Regional Coordinator	Coordinator

1. Substitute in Part I of the LPR the following footnote for Army enlisted and civil service personnel:

"Incomes for families (Army enlisted or on-post civil service personnel) in defense housing cannot conform to any predetermined schedule. The shelter rents for such personnel are set between \$11 and \$23.50."

The footnote for Navy enlisted personnel which appears on page 7 of "Procedures in Preparation of LPRs (August 19, 1941) needs no revision. This footnote is as follows:

"Incomes for families of Navy enlisted personnel in defense housing cannot conform to any predetermined schedule. Shelter rents for such personnel vary between \$11 and \$26 based on the type of family dwelling unit."

2. Footnote the incomes of civilian employees of the Army and Navy (off-post projects) or of civilian defense industrial workers, as follows:

"Approximate rents for (civilian employees of the Army and the Navy, or civilian industrial defense workers) range between \$27.50 and \$32.50."

3. The footnote above should be carried in all instances except where the Regional Coordinator finds that the rent scales in a locality are considerably lower or higher than average. In this case, the following sentence should be added to the above footnote:

"Because normal rent scales in ----- (locality) are (low or high), careful attention should be given in plans for occupancy to adapt these approximate rentals to scales existing in the locality. Rent schedules will appear in the Locality Occupancy Program."

4. The standard paragraph which succeeds major heading IV in the LPR (Occupancy Plans and Proposed Tentative Income Ranges) should read as follows:

"The recommendations for the government housing projects contained in this Locality Program Report necessarily cannot include, in the present stage of these projects, plans for occupancy except tentatively with respect to income ranges, rents, and intended type of occupants. Therefore, this Report contemplates that the Division of Defense Housing Coordination will consult with the agency assigned the management of defense projects, and will subsequently prepare a Locality Occupancy Program at least 60 days prior to initial occupancy, which will contain a specific coordinated occupancy program for the locality, including the defense activities to be served, the income groups to be served, the rent schedules, the relation of each project to the general local defense housing program, and priorities with reference to tenant selection, and which will serve, subject to addenda, as the authoritative record for these matters."

RENTAL SCHEDULES

FEDERAL WORKS AGENCY

Approximately 20% of income of principal wage earner, based on the following scale:

Annual income:	Monthly shelter rent	Annual income—Continued.	Monthly shelter rent
\$700-800-----	\$13	\$1801-2200-----	\$30
801-1000-----	14	2201-2600-----	36
1001-1200-----	17	2601-3000-----	43
1201-1500-----	20	3001-over-----	50
1501-1800-----	25		

NAVY

Approximately 20% of income of principal wage earner, based on the following

Civilian Occupancy:

- \$25—one bedroom
- 30—two bedrooms
- 35—three bedrooms

Enlisted Occupancy: 3rd class petty officers and below:

- \$11—one bedroom
- 13—two bedrooms
- 15—three bedrooms

2nd class petty officers and above:

- \$21—one bedroom
- 23.50—two bedrooms
- 26—three bedrooms

ARMY

Civilian Occupancy: Roughly, 20% of income, as follows:

Salary:	Rent	Salary—Continued.	Rent
\$750 or less	\$10	\$2041-2370	\$35
751-1095	15	2371-2700	40
1096-1440	20	2701-3000	45
1441-1740	25	Over	50
1741-2040	30		

Enlisted personnel: Commutation of \$34.50

DEFENSE HOMES CORPORATION

Economic rent (for example, in Newport News, Virginia, Defense Homes Corporation project, rents range from \$30 to \$50 depending on size and location of house.)

UNITED STATES HOUSING AUTHORITY

Rents based on ability to pay of total family income and size of apartments. For example, the following scale applies at Charter Oak Terrace, Hartford, Connecticut:

Maximum Income Limit at time of admission \$2000 annually:	
1 bedroom	\$34
2 bedrooms	35
Maximum Income Limit at time of admission \$2250 per year:	
3 bedrooms	\$37
4 bedrooms	39
5 bedrooms	41

FARM SECURITY ADMINISTRATION

Flat rate on trailers and dormitories:

Trailers: \$6 to \$8 per week (gross).

Dormitories:

\$3.50 to \$5.00 per week, two in a room.

\$5.00 to \$7.00 per week, single.

(Trailer rate may be changed to monthly basis).

OFFICE OF THE ADMINISTRATOR MUTUAL OWNERSHIP

Rent fixed on 1% per month of "fair value."

3. METHODS OF TENANT SELECTION

1. Federal Works Agency.

Eligibility varies in various projects, but preference is ordinarily given to in-migrant workers in industries designated as defense industries by the Administrator. The list of industries designated by the Administrator is taken from the Locality Occupancy Program, prepared by the Coordinator. This Locality Occupancy Program indicates tentative income limits for eligibility but these

limits are not rigidly observed. The Locality Occupancy Program also designates the order of preference in selection of tenants, according to previous housing accommodations. A typical order of preference is as follows:

Applicants living in trailers or other temporary shelter.

Applicants whose domiciles are beyond reasonable commuting distance from the defense industry.

Applicants desiring to bring their families from their domiciles elsewhere.

Applicants living under doubled-up, overcrowded or other sub-standard conditions.

Applicants evicted by landlords because house is sold.

Applications for dwellings are taken by the project managers, and in some cases, prior to the appointment of the managers, informal applications are taken by the Homes Registration Office, if there is one in the locality concerned. The manager obtains certification that the applicant is a defense industry employee and certification of his income from the defense industry.

2. *United States Housing Authority.*

Essentially the same procedure as that indicated above is followed by this agency, except that maximum income limits at time of admission are more rigidly established.

3. *Navy.*

Eligibility restrictions for civilian occupants of Navy managed projects are not rigid, the chief requirement being that the applicant is an employee of a defense industry or activity.

4. *Army.*

Federal Works Agency restrictions are followed.

5. *Defense Homes Corporation.*

Applicants for Defense Homes Corporation projects are generally defense workers with incomes above those of applicants for defense housing projects constructed by other agencies. In addition, commissioned officers of the Army and Navy are eligible.

6. *Farm Security Administration.*

Defense workers, regardless of income, are eligible for Farm Security Administration temporary shelter projects.

7. MARITIME COMMISSION

The Maritime Commission manages one project, which is at Pascagoula, Mississippi. Rents are set according to the location of apartments in the project and size of apartments, as follows:

Tract "A"—Two bedroom single houses: 95 units at \$38

Tract "B"—Two bedroom single houses:

56 units at \$38

109 units at \$35

Tract "C"—One bedroom double houses:

4 units at \$20

16 units at \$23

22 units at \$28

6 units at \$30

6 units at \$32

Three bedroom units:

4 units at \$23

16 units at \$28

22 units at \$35

6 units at \$37

6 units at \$40

Two bedroom single houses:

6 units at \$25

95 units at \$27

128 units at \$32

Tract "C"—Two bedroom double houses: Rents not set.

4. BUILDING CODES AND THE STANDARD GOVERNMENT PLUMBING MANUAL

BUILDING AND PLUMBING CODES

The primary and original purpose of building and plumbing codes is to protect the public from construction practices which conflict with the best interests of public safety and health. However, codes of this type, created for the purpose of protecting the public from irresponsible builders, have frequently become the means for entrenching powerful interests in special privileges. For instance, the building code of New York City requires that an apartment bathroom have a tile floor. This requirement is made irrespective of the fact that the cost of such a floor is considerably more than the cost of a floor made of other materials which have been demonstrated time and time again to be equally satisfactory. The fact that building codes vary widely throughout the country has led to lack of standardization of building parts and construction practices and, in many instances, to greatly increased construction costs.

Because the construction of defense housing is frequently being done in areas where no building codes apply, and because the effect of present building codes on defense housing is extremely important, Mr. Palmer requested the Central Housing Committee, on January 14, 1941, to set up a Building Code Sub-Committee to work on the writing of a Dwellings Code which could be easily adapted to local conditions throughout the country. A Code has been drafted and reviewed three times by the Sub-Committee which was appointed. Final drafts of the Code are in preparation and it is reported by the Bureau of Standards, that the Code will be ready for issuance by the end of October.

BMS-66, the "Plumbing Manual," prepared by a Sub-Committee on Plumbing of the Central Housing Committee, was issued on November 22, 1940. It was the result of extensive research on this subject by experts in the various government housing agencies and the National Bureau of Standards. The Code as issued has the strong backing of the Public Health Service.

In the early part of this year, when the necessity for the conservation of strategic metals became apparent, this office requested the Bureau of Standards to make comparison of the savings in metal which would be affected by the use of the Plumbing Manual as contrasted with ordinary local codes. Attached are copies of these studies prepared at the request of this office. This information was transmitted to Mr. Stettinius of the Office of Production Management, pointing out the conservation of metals which might be affected through the use of BMS-66. Considerable opposition to the use of the Plumbing Manual developed from various sources. Since that time the Committee responsible for the Plumbing Manual and the Conservation Unit of OPM have been working with the objectors, with a view to resolving some of the differences in the points of view. Several meetings have been held and an agreement has been finally reached on a revision of BMS-66, which is acceptable to the representatives of the Master Plumbers and the plumbing unions, and which will be issued as an emergency plumbing code with a strong recommendation that it be adopted by local communities, at least for the duration of the emergency.

U. S. DEPARTMENT OF COMMERCE
NATIONAL BUREAU OF STANDARDS

WASHINGTON, August 14, 1941.

Mr. WILLIAM REED,
Office of the Defense Housing Coordinator,
1601 Eye Street, Washington, D. C.

Subject: Savings of Metal.

DEAR MR. REED: In accordance with your request, I am sending you the figures on the total amount of plumbing material used per house in various cities as compared with that required by BMS66 "Plumbing Manual". There is one correction in the case of the one-story one-family dwelling in Louisville, Kentucky. I trust that this is the material that you desire.

Mr. McConnell has talked with me and I understand that figures will not be released for the present. However, it is proposed to expedite the meetings with the representatives of the National Association of Master Plumbers so that the matter can be worked out as soon as possible.

Yours truly,

(s) GEORGE N. THOMPSON.
Division of Codes and Specifications.

Bridgeport, Conn.:

One-story one-family dwelling:

Required by local code:

Cast iron	325 lbs.
Other metal	50 lbs.

Total	375 lbs.
-------	----------

Required by BMS66:

Cast Iron	180 lbs.
Other metal	15 lbs.

Total	195 lbs.
-------	----------

Difference $375 - 195 = 180$ lbs.

Two-story one-family dwelling:

Required by local code:

Cast iron	452 lbs.
Other metal	85 lbs.

Total	537 lbs.
-------	----------

Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
-------	----------

Difference $537 - 285 = 252$ lbs.

Louisville, Ky.:

One-story one-family dwelling:

Required by local code:

Cast iron	225 lbs.
Other metal	40 lbs.

Total	265 lbs.
-------	----------

Required by BMS66:

Cast iron	180 lbs.
Other metal	15 lbs.

Total	195 lbs.
-------	----------

Difference $265 - 195 = 70$ lbs.

Two-story one-family dwelling:

Required by local code:

Cast iron	390 lbs.
Other metal	69 lbs.

Total	459 lbs.
-------	----------

Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
-------	----------

Difference $459 - 285 = 174$ lbs.

ESTIMATED SAVINGS IN METAL THROUGH USE OF BMS66 PLUMBING MANUAL INSTEAD OF CERTAIN LOCAL PLUMBING CODES

Los Angeles, Calif.:

One-story one-family dwelling:

Required by local code:

Cast iron	320 lbs.
Other metal	50 lbs.

Total	370 lbs.
-------	----------

Required by BMS66:

Cast iron	180 lbs.
Other metal	15 lbs.

Total	195 lbs.
-------	----------

Difference $370 - 195 = 175$ lbs.

Two-story one-family dwelling:

Required by local code:

Cast iron	440 lbs.
Other metal	80 lbs.

Total	520 lbs.
-------	----------

Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
-------	----------

Difference $520 - 285 = 235$ lbs.

Milwaukee, Wis.:

One-story one-family dwelling:

Required by local code:

Cast iron	330 lbs.
Other metal	50 lbs.

Total	380 lbs.
-------	----------

Required by BMS66

Cast iron	180 lbs.
Other metals	15 lbs.

Total	195 lbs.
-------	----------

Difference $380 - 195 = 185$ lbs.

Two-story one-family dwelling:

Required by local code:

Cast iron	450 lbs.
Other metal	80 lbs.

Total	530 lbs.
-------	----------

Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
-------	----------

Difference $530 - 285 = 245$ lbs.

Charleston, W. Va.:

One-story one-family dwelling:

Required by local code:

Cast iron	325 lbs.
Other metal	40 lbs.

Total	365 lbs.
-------	----------

Required by BMS66:

Cast iron	180 lbs.
Other metal	15 lbs.

Total	195 lbs.
-------	----------

Difference $365 - 195 = 170$ lbs.

Charleston, W. Va.—Continued.

Two-story one-family dwelling:

Required by local code:

Cast iron	445 lbs.
Other metal	70 lbs.

Total	515 lbs.
-------	----------

Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
-------	----------

Difference $515 - 285 = 230$ lbs.

Richmond, Va.:

One-story one-family dwelling:

Required by local code:

Cast iron	225 lbs.
Other metal	40 lbs.

Total	265 lbs.
-------	----------

Required by BMS66:

Cast iron	180 lbs.
Other metal	15 lbs.

Total	195 lbs.
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Difference $265 - 195 = 70$ lbs.

Two-story one-family dwelling:

Required by local code:

Cast iron	390 lbs.
Other metal	70 lbs.

Total	460 lbs.
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Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
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Difference $460 - 285 = 175$ lbs.

Montclair, N. J.:

One-story one-family dwelling:

Required by local code:

Cast iron	240 lbs.
Other metal	45 lbs.

Total	285 lbs.
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Required by BMS66:

Cast iron	180 lbs.
Other metal	15 lbs.

Total	195 lbs.
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Difference $285 - 195 = 90$ lbs.

Two-story one-family dwelling:

Required by local code:

Cast iron	415 lbs.
Other metal	75 lbs.

Total	490 lbs.
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Required by BMS66:

Cast iron	260 lbs.
Other metal	25 lbs.

Total	285 lbs.
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Difference $490 - 285 = 205$ lbs.

ESTIMATE OF SAVINGS THROUGH USE OF BMS66 PLUMBING MANUAL

An estimate of the amount of material saved through the use of BMS66 "Plumbing Manual" as compared with the general run of local plumbing code requirements involves certain difficulties which should be explained before any figures are given.

There are about 1,600 local plumbing codes and a number of state plumbing codes which govern the installation of plumbing in this country. These codes differ to a considerable extent in their requirements. It is not possible to strike an average and then compare the requirements of BMS66 with this. To do so would require an elaborate system of grouping codes according to similar requirements and also estimating the amount of plumbing done in the localities represented by these codes. This would be a statistical problem requiring much time to work out.

Another factor must also be considered. This is that two houses of the same size may call for different plumbing layouts because of the fact that the architect has planned them differently. Whether or not it is possible to provide the most economical installation is often governed by the location that has been chosen for the bathroom and kitchen. It should be said in passing that BMS66 permits a maximum of economy provided the designer has done his part when laying out his floor plans.

In view of the above considerations and of others that might be mentioned, only very rough estimates are possible. However, the following observations are made in the belief that they represent a conservative approach.

Probably the best quantitative conception of the results of a general application of BMS66 can be given by considering certain materials on some selected unit basis, for example the weight saved per linear foot of cast-iron pipe used.

Very few plumbing codes permit the use of 3-inch pipe in building drains or in building sewers. The Manual permits the use of 3-inch soil pipe in either building drains or building sewers up to about one-half the average limit in number of fixtures permitted by plumbing codes in general for 4-inch pipe. Many plumbing codes permit the use of 3-inch soil stacks, but most of those that do permit it restrict the number of water closets to one or two on any one stack. The Manual permits the use of 3-inch soil stacks ranging from 3 to 8 bathroom groups, depending on the type of structure, with a corresponding number of kitchen sinks or combination sink and tray in addition for each unit and places no definite restriction on the number of water closets. Considering these facts, it seems a reasonable estimate that 3-inch pipe would displace about one-half the 4-inch cast-iron soil pipe now used in dwellings and apartment houses not exceeding 8 bathrooms in number, if the Manual requirements instead of the requirements of existing codes were followed. In regard to larger buildings of all types, a similar analysis indicates that possibly the next smaller size would displace the size now used under existing plumbing codes in about half the cases, if the Manual were followed.

The following table shows the approximate weights per foot of the different sizes of Federal Standard or American Standard cast-iron soil pipe and the approximate savings (conservation) secured by using the next smaller size:

Diameter of pipe	Approximate weight per foot	Savings by substituting the next smaller size	
		Pounds per foot	Percent
<i>Inches</i>	<i>Pounds</i>		
2	5		
3	9	4	44.5
4	12	3	25.0
5	15	3	20.0
6	19	4	21.0
8	30	11	36.7
10	43	13	30.2
12	54	11	20.0
15	75	21	28.0

Since the lowest percentage saving shown in the table for any size is 20, and we have estimated a possible 50 percent substitution of the smaller sizes, it seems reasonable to assume that at least 10 percent of the weight of cast-iron now used could be saved by the general adoption and use of the BMS66 requirements. There would also be a corresponding saving in the lead required to calk the joints in the smaller pipe.

The minimum length of soil pipe required to install a single bathroom in a bungalow and connect it to the street sewer will average at least 60 feet. The saving in using 3-inch instead of 4-inch pipe would be 60 x 3 pounds of cast-iron, or in this case 25 percent.

The saving in material in the construction of branch drain pipes and vent pipes within buildings cannot be readily reduced to a unit basis. However, regardless of whether steel, wrought iron, cast-iron or other materials are used, it is conservative to state that the saving in material will range from about 50 percent for a bungalow, comparing the Manual to codes that require individual venting, down to possibly no saving even in bungalows when the Manual is compared to codes that require similar venting.

The above observations are made on the basis of the general situation. In order to show how things would work out in a specific case, two actual plumbing installations as provided by the U. S. Housing Authority for defense dwellings have been figured on the basis of practice permitted by BMS66 Plumbing Manual and then on the basis of fairly usual requirements such as are advocated by the National Association of Master Plumbers. Outstanding differences come in size and thickness of pipe, methods of venting, and the use of a house trap with fresh air inlet. The corresponding weights of materials for roughing-in the plumbing are given.

EXAMPLE I

One-story one-family house.

Total weight of metal required by Master Plumber's Code.....	750 lbs.
Total weight of metal required by BMS66.....	350 lbs.

Difference.....	400 lbs.
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Of the above, the weight of cast-iron only is as follows:

Master Plumber's Code.....	500 lbs.
BMS66	250 lbs.

Difference.....	250 lbs.
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It should be noted that this is for a single installation.

EXAMPLE II

In the case of a two-story two-family house a similar comparison results in the following figures:

Total weight of metal required by Master Plumber's Code.....	950 lbs.
Total weight of metal required by BMS66.....	490 lbs.

Difference.....	460 lbs.
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Of the above, the weight of cast-iron only is as follows:

Master Plumber's Code.....	660 lbs.
BMS66	320 lbs.

Difference.....	340 lbs.
-----------------	----------

Detailed figures covering these comparisons can be made available. It is perhaps well to emphasize again that the savings indicated would not be realized in all parts of the country. They are probably close to the maximum and would be reduced in some communities to the extent that the practices permitted in BMS66 are allowed in the local code and are followed in actual installation.

5. EXPLANATION OF LAG IN OCCUPANCY

- (a) Housing Projects.
 (b) Temporary Shelter.

EXPLANATION OF VACANCIES REQUESTED BY TRUMAN COMMITTEE [ITEM 5 (A)]

Of the 12 projects concerning which question was raised, all but 4 are for the families of Army and Navy personnel or civilian employees. With respect to each of these, the general statement can be made that the contemplated number of armed forces or civilian employees has not yet been attained at the establishment for which the project was programmed. In some cases additional reasons contribute to the lag. The list follows:

Riverside, California: 27 occupied out of 150 available, with 125 units not yet completed in additional project. Anticipated personnel not yet on the station.

San Rafael, California: 80 occupied out of 175 available. Anticipated personnel not yet arrived.

Miami, Florida: In one project 90 occupied out of 200 available, and in another project 4 occupied out of 100 available. Expect full complement of personnel in January. Further, cheap rentals are available in the summertime which will not be available when the winter season starts.

West Palm Beach, Florida: 61 occupied out of 150 available. Full personnel not expected until after present maneuvers are completed. Probably will be filled by January 1. Cheap summer rentals also available here.

San Antonio, Texas: 112 occupied out of 500 available. Full personnel has not yet arrived. Complete occupancy expected by December 1.

Columbus, Georgia: This project should not appear on any list of vacancies, since it is 90% occupied. 568 occupied out of 612 available in one project and 307 occupied out of 350 available in another project. (The appearance of this project on a "lag list" prepared a few weeks ago illustrates the rapidity with which these projects fill up when anticipated personnel are brought into an area.)

Harre de Grace, Maryland: 79 occupied out of 300 available. Full employment not yet attained. Projects at Aberdeen and Edgewood, which serve the same needs, are filling up first, because they are closer to the defense establishment.

Langley Field, Virginia: Of the 350 reported available, only 85 have been connected to sewer facilities and these are all occupied. (Note that the figures reported as available for occupancy are sometimes misleading since they are so designated on completion of the primary construction contract. In many cases, as in this project, there is a secondary contract or a WPA utility project, so that the housing is not actually available for occupancy.)

The other four projects are as follows:

Warren, Ohio: 80 occupied out of 200 available. There is a lag in employment because of the inability of the powder plant to carry on all its work due to confidential reasons. 3,000 additional men are expected to be hired soon.

Bossier City, Louisiana: Although 139 are reported available, only 54 are complete with electrical facilities. Of the 54, 30 are occupied. (See note under Langley Field, Va.)

Nashville, Tennessee: 172 occupied out of 300 available. Full anticipated employment not yet attained. Employment expected to pick up within 60 to 90 days.

Wilmington, N. C.: 6 occupied out of 108 available

174	"	"	"	284	"
34	"	"	"	90	"
15	"	"	"	84	"
<hr/>				<hr/>	
229				566	

Shipyard not yet completed and full employment not yet attained.

EXPLANATION OF LAG IN OCCUPANCY OF TEMPORARY SHELTER PROJECTS REQUESTED BY
TRUMAN COMMITTEE [ITEM 5 (B)]

The list follows:

San Diego, California:

FSA: Trailers, 346; Occupied, 346; Dormitories, 926; Occupied, 563.

FWA: Dormitories, 748; Occupied, 44.

Trailers are 100% occupied. Dormitories, however, are slower in filling because expected employment schedule has not yet been attained. For example, a parts plant of the Consolidated Aircraft Corporation, yet to be completed, will employ 8,000 men. (Of the FWA dormitories, all those furnished are occupied.) It is believed that by November 1 occupancy will increase sharply. All local officials concerned with the problem indicate increased employment within the next 60 days will completely fill these units and require others.

It may be of interest to cite in full the following paragraph from the Confidential Weekly Letter No. 41, dated October 13, 1941, issued by the National Association of Real Estate Boards, which quotes the San Diego Real Estate Board as reporting "that the estimates and conclusions arrived at by Defense Housing Coordinator Palmer in the San Diego area will prove about as close to actual requirements in the next few months as could be expected. He states that Mr. Palmer has given full weight to the role that private building should play in the defense housing effort in that community and that to come up to its quota, private builders will have to do their utmost during the next few months. It was to be expected that when allocations were made with respect to defense housing by the Coordinator, complaints would arise in some localities. So far, however, we have yet to hear of a case where he has missed the mark to any great extent." It may safely be assumed that over-programming in this locality would not have been overlooked by Mr. Griffith.

New London, Connecticut: 177 dormitories occupied out of 378 available. Lag in employment. Anticipate hiring 1,000 men in the next 60 days.

Wilmington, N. C.: 179 trailers occupied out of 325 available. Shipbuilding plant not yet completed and has not reached its full capacity of employment. The permanent and demountable housing have therefore caught up with the schedule.

Erie, Pennsylvania: 87 trailers occupied out of 150 available. Permanent housing is now finished and is attaining occupancy. Need for temporary shelter is therefore diminished and trailers will be removed to other areas of urgent need within the next few days, in accordance with the purpose of temporary shelter program.

Orange, Texas: 236 dormitories occupied out of 408 available (increase of 87 in 2 weeks). Employment, which had been lagging, is now accelerating rapidly. The shipyard now employs 3,479 men, an increase since August 30 of 1,350, and it is expected that 1,000 additional men will be employed during the present month.

Vallejo, California: 219 dormitories occupied out of 290 available. Temporary shelter program was ahead of the defense production program. There has been a steady increase in occupancy and the Navy, looking toward future employment, has requested 500 additional dormitory accommodations.

Aberdeen, Maryland: 114 dormitory units occupied out of 200 available. It is reported that complete occupancy could be reached if the project were open to the employees of the Edgewood Arsenal. However, the Commandant at the Aberdeen Proving Grounds requested that the facilities be reserved for workers at the Proving Grounds, and it is stated that complete occupancy can be expected by November 15.

Bethlehem, Pennsylvania: 137 trailers occupied out of 160 available. The reason for the inclusion of this City on a "lag list" is not apparent. Occupancy has increased steadily and is expected to attain 100% by the end of the month.

Nashville, Tennessee: Change in methods of manufacture of Vultee Aircraft plant obviated the need. All trailers and dormitories being transferred to other areas of need, in accordance with the purpose of the temporary shelter program, and illustrates the advantage of this program in certain cities.

Bremerton, Washington: 313 dormitories occupied out of 469 available. Needs were estimated by the Navy on the basis of 3-shift employment at the Navy Yard. Later this was found not the most efficient method and now the Navy Yard is on 1½-shift basis, thus sharply reducing the estimated need. Navy desires, how-

ever, to retain this project as a back-log for increased employment, which may occur on short notice to meet huge demands of ship-building and repair of naval vessels.

6. DEMOUNTABLE HOUSING

From the very beginning of the programming of defense housing by this Office, it has been recognized that, in some localities, the extent of the duration of the usefulness of defense housing is uncertain. In such areas, where there is no chance of integrating the new housing with the normal housing needs of the locality, this office has recommended that construction be of demountable character and have a "high salvage value." For instance, the introduction of a large industrial plant in a small city may double or triple the population of that city in the course of a few months. Termination of use of the plant for defense purposes might mean an immediate exodus of population. The proper disposition of the housing built for workers in such a situation is of extreme importance in order to prevent the creation of "ghost towns," and the depreciation of the property values of privately owned houses. It was recommended that the standards of livability, safety, convenience, and health for such housing should not be lower than those established for housing of permanent construction.

During the Fall and early Winter of 1940, there were numerous discussions with the constructing agencies concerning the feasibility of demountable construction. Questions were raised concerning demountable housing from the technical point of view, the ability of manufacturers to produce demountable houses, and cost factors. Early in December, this problem was reviewed by Mr. Palmer at a meeting attended by representatives of the Navy, the Federal Works Agency, and the Public Buildings Administration. In this meeting, a list of all the projects for which demountable construction had been recommended was reviewed.

It developed in this meeting that the Navy had already proceeded with construction on most of its projects, and that they would be permanent. Since the Navy had ignored the recommendations of this Office in this respect, and were already proceeding, any action which we might have taken at that time would have resulted in delay. It was therefore decided not to press the matter with them further.

Representatives of the Federal Works Agency were skeptical concerning the ability of the prefabricators to produce and, in numerous instances, had proceeded with contracts for houses of permanent construction. In this same meeting, the proposed experimental project at Indian Head was discussed. The representatives of the Federal Works Agency were anxious to see the results of this experiment before committing themselves to an extensive program involving demountable construction.

Subsequent to this meeting, there was an exchange of letters between Mr. Carmody and Mr. Palmer regarding the use of demountable construction attempting to clarify the issue. This Office prepared a review of the situation about the first of March citing the status of each project on which we had recommended demountable construction. This review was the subject of a discussion with Mr. Foreman, of the Federal Works Agency, during the latter part of March. After the discussion, a memorandum was sent to Mr. Carmody by Mr. Palmer expressing concern that the majority of the projects for which this Office had recommended consideration of demountable construction to FWA were, at that time, either under way or proposed for permanent construction. This memorandum summed up the status of the projects discussed with Mr. Foreman and stated that since plans for the projects were under way, we were not requesting that they be further delayed even though the FWA had proceeded contrary to our recommendations; except that we suggested further consideration be given to the Portsmouth, N. H., project. In terminating this memorandum, Mr. Palmer asked Mr. Carmody to inform us specifically whether he felt that the FWA and its constituents could handle a considerable additional volume of demountable houses quickly. No reply was received from Mr. Carmody and on April 8, Mr. Palmer again requested an answer to his inquiry. Subsequently the FWA agreed that any further programming of demountable housing which we recommended would be followed by the FWA.

There is attached hereto a detailed history of each city for which information was requested by the Committee.

I. *Portsmouth, N. H.*—27013-4.

1. LPR #1 (approved by President on 12/31/40) recommended 800 demountable units. Project assigned to PBA by FWA Administrator.
2. Letter of 3/18/41 from Palmer to Carmody requested explanation for fact that project was being planned for permanent construction.
3. Letter of 3/26/41 from Palmer to Carmody asked FWA to reconsider their decision to make project permanent and enclosed telegrams of protest from the State Planning and Development Commission and the Portsmouth Planning Board.
4. Letter of 3/26/41 from Carmody to Palmer stated that at meeting in Portsmouth on 2/5/41, attended by the Mayor, and by the representatives of the State Industrial Planning Board, the NRPB, and the Portsmouth City Planning Commission, it was the consensus of opinion that the city could absorb an additional 800 permanent units. The letter also maintained that permanent construction was cheaper.
5. Permanent construction started 4/9/41 contrary to recommendations of the Defense Housing Coordinator.

II. *Manitowoc, Wisconsin*—47011.

1. LPR #1 (Presidential approval on 2/3/41) recommended 400 demountable units. Project assigned to DDH by FWA Administrator.
2. Letter of 3/20/41 from Palmer to Carmody requested information on type of housing being planned. Desirability of demountable construction reiterated.
3. Reply from Foreman dated 3/28/41 states that demountable construction will be used.
4. Demountable construction started 7/9/41.

III. *Orange, Texas*—41071.

1. Need for 500 demountable units approved by the President on 9/26/40. Project assigned to Navy.
2. Permanent construction started 1/27/41 contrary to recommendations of the Defense Housing Coordinator.

IV. *Orange, Texas*—41072.

1. LPR #1 (Presidential approval on 1 16 41) recommended 200 demountable units. Project assigned to USHA by Federal Works Administrator.
2. Question of permanent vs demountable construction discussed with Foreman on or about 3, 21/41. Foreman revealed that plans were under way for permanent construction.
3. Permanent construction started 4/15/41 contrary to recommendations of the Defense Housing Coordinator.

V. *Charleston, South Carolina*—38025.

1. LPR #2 (Presidential approval on 12 31 40) recommended 350 demountable units. Project assigned to USHA by FWA Administrator.
2. Question of permanent vs demountable constructions discussed with Foreman on or about 3/21/41. Memorandum 3/26/41, Palmer to Carmody confirming discussion with Foreman that this project would be demountable.
3. Permanent construction started 4/30/41 contrary to recommendations of the Defense Housing Coordinator and despite memorandum of 3/26/41 referred to above.

VI. *St. Juliens Creek, Virginia*—44101.

1. Need for 50 permanent and 50 demountable units for St. Juliens Creek approved by the President 9/26/40. Project assigned to Navy.
2. Permanent construction started 11/11/40 contrary to recommendations of Defense Housing Coordinator.

VII. *St. Juliens Creek, Virginia*—44084 & 44086.

1. LPR #1 (Presidential approval on 1/16/41) recommended 100 demountable units. (Project assigned to PBA, by FWA Administrator.)
2. These 100 demountable units were combined with 565 permanent units covered by the same LPR for Portsmouth. The resulting 665 units were then split into 2 projects both located in Portsmouth, Virginia—44084 (400 units) and Virginia 44086 (265 D. U.)

3. Question of permanent vs demountable construction discussed with Foreman on or about 3/21/41. Foreman revealed that plans were under way for permanent construction.
4. Permanent construction on all 665 units started about 4/22/41, the 100 originally recommended for demountable construction being contrary to the recommendations of the Defense Housing Coordinator.

VIII. *Alexandria, Virginia—44131.*

1. Need for 300 demountable units approved by the President on 9/26/40. Project assigned to the Navy.
2. Permanent construction started 1/16/41 contrary to the recommendations of the Defense Housing Coordinator.

IX. *San Miguel, California—4121.*

1. LPR #1 (Presidential approval 2/27/41) recommended 150 demountable units. Project assigned to PBA by FWA Administrator.
2. Question of permanent vs demountable construction discussed with Foreman on or about 3/21/41. Foreman revealed that plans were under way for permanent construction.
3. Permanent construction started 5/22/41 contrary to the recommendations of the Defense Housing Coordinator.

X. *Valpariso, Florida—8091.*

1. LPR #1 (Presidential approval 2/27/41) recommended 100 demountable units. Project assigned to PBA by FWA Administrator.
2. Memorandum from War Department (3/31/41) requested that construction be changed to permanent.
3. LPR #2 (Presidential approval 5 26/41) changed recommendation of Defense Housing Coordinator to permanent construction.
4. Permanent construction started 5/27/41.

NOVEMBER 6, 1941.

HERBERT S. COLTON, Esq.,

*Legal Adviser, Executive Office of the President,
Office for Emergency Management,*

Division of Defense Housing Coordination,

1600 Eye Street, Washington, D. C.

DEAR MR. COLTON: Thank you for your letter of November 5, giving additional data with respect to occupancy of housing units.

Very truly yours,

HUGH A. FULTON, *Chief Counsel.*

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE FOR EMERGENCY MANAGEMENT

Division of Defense Housing Coordination

WASHINGTON, D. C., November 5, 1941.

HUGH A. FULTON, Esq.,

Chief Counsel, Truman Committee Investigating the National Defense Program,

Senate Office Building, Washington, D. C.

DEAR MR. FULTON: Supplementing my letter to you of October 27, 1941, particularly with reference to Item No. 5 thereof entitled "Explanation of Lag in Occupancy", I am submitting for the consideration of the committee a schedule showing occupancy as of October 31, 1941 in the projects with respect to which question was raised.

You will note that these latest figures show sizeable increases in occupancy in many cases, for example, San Antonio, Texas; Columbus, Georgia; Wilmington, North Carolina; Nashville, Tennessee; San Rafael, California; and Langley Field, Virginia.

I am sending this supplemental list to you as a striking illustration of our contention that occupancy in most cases would materially improve with the acceleration of defense employment.

Sincerely yours,

HERBERT S. COLTON, *Legal Adviser.*

Location	Then—October 10, 1941			Now—October 31, 1941			Difference— Increase of Occu- pancy
	No. Units Avail- able	No. Units Occu- pied	No. Units Vacant	No. Units Avail- able	No. Units Occu- pied	No. Units Vacant	
	150	27	123	150	48	102	21
Riverside, California	125			125			
San Rafael, California	175	80	95	175	114	61	34
Miami, Florida	200	90	110	200	98	102	8
	100	4	96	100	5	95	1
West Palm Beach, Florida	150	61	89	150	66	84	5
Warren, Ohio	200	80	120	200	94	106	14
San Antonio, Texas	500	112	378	500	220	280	108
Columbus, Georgia	350	307	43	350	350		43
	612	568	44	612	612		44
Bossier, Louisiana	139	30	109	139	35	134	5
Havre de Grace, Maryland	300	79	221	475	132	343	53
Wilmington, North Carolina	108	6	102	204	122	82	116
	284	174	110	284	201	83	27
Wilmington, North Carolina	90	34	56	90	37	53	3
	84	15	69	126	41	85	26
Nashville, Tennessee	300	172	128	300	198	102	26
Langley Field, Virginia	350	85	265	350	117	233	32

[Additional statement of Charles F. Palmer, Coordinator of Defense Housing Submitted to the Special Senate Committee Investigating the National Defense Program—(Truman Committee) November 29, 1941]

It is a pleasure to me to avail myself of the invitation of the Committee to present testimony in addition to that which I gave on October 8, 1941, in order that the accomplishments of the coordinated defense housing program may be set forth on your record. Certain statements before your Committee and elsewhere make it particularly desirable that this be done. These statements have (as they were undoubtedly intended) distracted attention from the fact that the coordinated defense housing program has accomplished the largest and most successful public housing undertaking ever attempted within a comparable period, while at the same time encouraging the private home building industry to undertake the largest possible share of the burden. The difficulties involved in accomplishing these results have been many and complex. Their solution has not been aided by emotional outbursts.

Funds for the publicly financed portion of the program were mainly provided by the Act of September 9, 1940 and the Act of October 14, 1940. Just a year and a few weeks later a total of 125,299 houses had been programmed for 195 localities, of which 53,796 were available for occupancy, and an additional 56,196 actually under construction, while 15,307 await further funds. During the week ending November 22, 1941, 2,339 houses were completed, which brought the total completed during a five-week period to 10,507. Thus, houses were becoming available at a rate better than 8,000 a month. At the same time a temporary shelter program is providing 7,595 trailers and portable houses, and dormitory units for 10,851 persons, in those situations where the immediacy and urgency of the need could not await the construction of orthodox housing.

These figures can best be judged by comparison to the English public housing program, generally cited as the most successful instance of large-scale public housing, which at its peak in 1938 was completing 7,500 houses a month. That, of course, was in a peacetime economy and without the consideration of haste

and extreme urgency which constrained the coordinated defense housing program. A comparison with the housing effort of 1917-1918 is also enlightening. A total of 23,000 dwelling units was constructed by the two housing agencies of those days and 15,000 privately built units were aided in obtaining priority licenses. Although the importance of housing to industrial mobilization was recognized in 1917, more than a year elapsed before any funds were provided, so that the work of the United States Housing Corporation was enabled to commence only before 3 months prior to the Armistice. All of this is discussed in the excerpt submitted as Exhibit I. This delay proved a great handicap to the production of war materials. In contrast to this showing, housing was recognized in 1940 as a primary requirement of the defense program.

How well our program has met the needs can, I suppose, only be finally determined by the passage of time. The only comprehensive, first-hand, impartial report on the present situation is contained in the statement (submitted as Exhibit II) released jointly by Congressman Boykin and Holmes, respectively Chairman and Ranking Minority Member of a Subcommittee of the House Public Buildings and Grounds Committee, following a personal inspection of housing in 22 localities (listed as Exhibit II-A). These gentlemen with other members of the Subcommittee saw the situation in these localities with their own eyes, examining housing projects from coast to coast, conducting hearings, and obtaining a cross-section of public opinion in each community through conversations with tenants, housing officials, local businessmen and local labor leaders. As a result they have stated publicly that they—
 “returned to Washington convinced that in general a first-class, efficient, and workmanlike job has been done on defense housing * * * We find that the Coordinator of Defense Housing has programmed the necessities well, and that the plans for future housing to be built in accordance with any future appropriations will be equally well distributed * * * Our trip has convinced us that, despite all these handicaps, the program under the direction of the Coordinator has in a large measure been a success, and has achieved this success in the face of great difficulties. * * *

However, our most important accomplishment does not lie in the amazing number of publicly financed defense housing projects which have been rushed to completion in such a brief period, but in the significant fact that all of this has been accomplished without upsetting the private building industry. During this period private residential building functioned at a rate greater than any year since 1928 and *was increasingly concentrated in defense areas and upon types of housing suitable for persons of limited incomes.* The attached table and charts (Exhibit III) contrast the figures for each year since 1928. These figures show that there has been a net increase of almost 25 percent in private housing in critical areas, while homes started in non-defense areas show a sharp decline.

These twin results, to wit, a vast public housing program and a stimulated private building industry, have not come about by accident. When I took office in July 1940, I outlined my policies in these words—

“The duty of the Coordinator and his staff as outlined to me is to see that sufficient housing—private, preferably, but if not, then public—is made available to meet emergency needs with such dispatch that National Defense does not suffer.

“In doing the job, one primary objective will be to encourage the use of private capital. It is believed adequate safeguards can be added to the many already provided, and that even during these uncertain times it will be good business for private capital to handle the requirements in most instances. Where it is not available, fails to respond, or finds it impracticable to act with the promptness required by the emergency, then the government will have to do the job.”

In holding to this statement, I, of course, have been violently attacked by extremists on both sides. I have been accused, on the one hand, of fostering needless public housing and, on the other hand, of favoring real estate interests. Less passionate appraisals, however, have also been freely forthcoming. For example, the attached letters (submitted as Exhibits IV, IV-A and IV-B) respectively from the administrator of the Louisville (Ky.) Housing Authority, the chairman of the San Diego (Calif.) Defense Housing Committee, and the secretary-manager of the San Diego (Calif.) Realty Board, represent what is perhaps a sounder and more typical view of our efforts. I quote the significant sentences from these letters:

“I merely want to write you personally to say to you that your handling of the Defense Housing Situation in this area has resulted, and is resulting, in exactly what I believe the President wants, viz: to have private capital carry the load in

providing housing for defense workers to the greatest extent possible" (Exhibit IV).

* * * * *

"In brief, the situation in this area has been greatly relieved, and we feel that we now have the situation 'well in hand.' The very fact that we now know where we stand is a great comfort to everyone here. There is no comparison between the situation now and the chaotic condition of six months ago. We know that the present condition is due solely to your efforts" (Exhibit IV-A).

* * * * *

"We are very glad to state that from the office of the Defense Housing Coordinator we have received constructive cooperation in attempting to carry out a housing program in San Diego which was basically sound. This program provided that sufficient housing be supplied for Defense workers, that private capital be encouraged to build to its full capacity, that a safe portion of housing built by the Government be temporary; the whole program based on a plan which would not only prevent over-building, but would provide for this City a cushion against over-production after the emergency through the use of the proper proportion of temporary housing.

"It is my opinion that the local Defense Housing Commission, working in conjunction with the office of the Defense Housing Coordinator, has been able to bring about an orderly process of charting the need of housing for Defense workers, due to the fact that all hiring programs and home-building programs are cleared through this office. Regular reports, are of course, sent to Washington" (Exhibit IV-B).

It is a matter of serious doubt whether so extensive a program as this could have been prosecuted without employing all of the Government's housing facilities. The job was so vast, involved so many different types of situations, and required such an immediate all-out effort that the peculiar talents and abilities of each of the governmental agencies were needed. Defense housing not only required that we supplement the efforts of the private building industry in providing housing for industrial workers, but that we provide accommodations involving such specialized problems as housing in the TVA area, around Army and Navy camps and bases, in the Territories and Island Possessions of the United States, and further that we be prepared with temporary accommodations to meet urgent needs of migratory defense workers. No one agency alone was prepared to meet this many-sided program. Moreover, no one agency was in a position generally to plan and supervise the entire program. In my previous testimony I have referred to the fact that the office of Defense Housing Coordinator was established in July 1940 pursuant to the unanimous recommendation of the heads of the numerous Federal agencies concerned with the construction or financing of housing. Thus (in theory at least) they themselves recognized, as had for some time been increasingly obvious to any student of the housing problem, that some sort of coordination of the work of the various government housing agencies was required. As a result of a rapid evolution of housing as a subject of governmental activity, various agencies had been established by the Congress, each concerned with some portion of this complex subject and each charged with certain responsibilities. It is not pertinent here to go into the reasons why, long prior to the occurrence of the defense housing problem, there was not closer cooperation between them.

The situation which the Coordinator had to face was shrewdly appraised by Time Magazine in an article on defense housing in the issue of September 16, 1940 (submitted as Exhibit V).

Confusion in the defense housing program, if any there has been, has arisen only when one or more of the agencies involved has insisted on pursuing its own course without regard to the over-all objectives. However, there has been sufficient commotion to distract attention from the main question of the defense housing problem and the enormous strides, in the past year, toward its solution.

Perhaps the best factual account of housing requirements as they existed when the work of my office first got under way, is contained in the attached newspaper clippings (submitted as Exhibits VI and VI-A) from the New York Times of December 22, 1940, and the Washington Evening Star of January 7, 1941. Other estimates ranged from denial that any housing shortages existed, to claim that fantastic numbers of new houses would have to be constructed, depending on the emotions and philosophy of those preparing them.

Less than one year has elapsed since these news reports. In that time the coordinated defense housing program has managed to keep the housing situation within reasonable bounds. But the danger point has not yet been passed. The defense production program has not yet obtained its peak, and thousands and thousands of persons are pouring into defense centers. Serious housing situations, which may gravely impede defense production, exist in many areas and undoubtedly will be sharply aggravated during the coming winter, unless the coordinated defense housing program can maintain, and possibly increase, its present momentum. This will require renewed efforts to encourage the private building industry to function in spite of growing difficulties, and will also require a continued public defense construction program. Public funds previously provided are exhausted and this portion of the program will depend upon Congressional action on a bill presented to the Congress on June 26, 1941, to authorize an additional \$300,000,000.

When I took office in July 1940 and obtained an inkling of the magnitude of the tasks before me, I found that over a month prior thereto the Congress had enacted Title II of Public, No. 671 (approved June 28, 1940), in which it authorized the United States Housing Authority to assist the Army and Navy to provide housing in certain defense situations. However, when the usual appropriation was sought to implement this authorization, it was refused by the Congress. While conceding that funds would have to be provided quickly for defense housing, the Congress simply refused to grant any amount whatsoever to the United States Housing Authority. I did not agree with that attitude, but it was a fact I had to face. As a temporary expedient \$100,000,000 was appropriated to the President for allocation to the War and Navy Departments for housing construction (Public, No. 781, approved September 9, 1940). It was evident, however, that this was a stop-gap device merely and that the Service Departments, burdened as they were with other defense activities, could not undertake to handle the entire defense housing problem.

The refusal of Congress to appropriate funds to the U. S. H. A. required another approach to the problem. This was found in the Lanham Act which placed responsibility for construction under the general supervision of the Federal Works Administrator, permitting the use of all Government housing facilities and of local housing authorities. The feeling of the Congress is reflected in the attached excerpt from the extension of the remarks of Congressman Sabath in the Congressional Record of October 17, 1940 (submitted as Exhibit VII), which also shows my own efforts on behalf of and interest in the United States Housing Authority.

Just one more word on this point. In October 1940 a few days after the passage of the Lanham Act, I called a meeting in Washington in cooperation with the National Association of Housing Officials to which were invited Federal and representative local housing officials. The purpose was to discuss (to quote the invitation) "possible use of present public housing machinery, especially local authorities, in carrying out the purposes of the Lanham Act and other defense housing programs."

I cite these details at some length not only so the record will show the true facts of the legislative situation with respect to housing as it existed in the summer of 1940, but also because as one of the original advocates of a sound public housing program, as one of those who was intensely interested in the passage of the United States Housing Act of 1937, as first Chairman of the Housing Authority of Atlanta, Georgia, which constructed the first public housing project in the United States, and as past president of the National Association of Housing Officials, I cannot allow my position to be misrepresented.

In contrast, it is interesting to note that each of the defense housing bills sponsored by this office—a total of six—was unanimously reported by the committees in charge thereof and approved by each House of the Congress without any dissenting vote. These bills consisted of (1) the Lanham Defense Housing Act and (2) its subsequent amendment which provided a total of \$300,000,000 of public funds; (3) and (4) two other appropriations totalling \$20,000,000 which provided dormitories, trailers, and other types of temporary shelter; and (5) Title VI of the National Housing Act and (6) its subsequent amendment (which I will discuss further below). Moreover the original Lanham Act was supported by representatives of such diverse interests as the National Association of Real Estate Boards, National Association of Housing Officials, and National Association of Building Owners and Managers, as shown by excerpts from the hearings (submitted as Exhibit VIII).

As I said before, the one bright spot in the picture has been the gratifying activity of the private home-building industry in shaping its efforts to the huge task of providing suitable housing in defense areas. Had the industry not gone forward as it did, our problem could not have been met even with many times the amount of public funds which has been provided by the Congress. A very significant factor in this has been Title VI of the National Housing Act which was sponsored by my office in cooperation with the Federal Housing Administration. The reasons for and provisions of this legislation are briefly set forth in my letter in which the bill was forwarded to the Congress (submitted as Exhibit IX). The following paragraph describes the results which it was hoped would be accomplished:

"The magnitude of the defense housing problem is such as to require the utmost speed in the production of dwelling accommodations at low cost. This can best be accomplished by the maximum use of the numerous builders of low cost homes who are accustomed to operating in all sections of the country with mortgage financing. The use of these normal processes and the adaptation of normal methods of financing to the present situation will provide the most expeditious and flexible method of producing the required housing with a minimum of dislocation to the community, the private construction industry, and the system of residential financing. At the same time, it will greatly reduce the present burden upon the facilities of Federal agencies which are and will be necessarily engaged in the direct construction of or assistance in publicly financed defense housing."

How well has this been attained is proven by the attached series of charts (submitted as Exhibit X), which show that Title VI, as intended, has supplemented—not substituted for—other types of mortgage financing, thus clearly disproving the statements of its critics that it was nothing but a bonanza to builders. Up to November 15, 1941, Title VI had resulted in 40,457 applications, of which 32,434 commitments had been issued. The charts prove that these would not have been started except through the assistance provided through this Act. The attached table (Exhibit X-A) shows the pattern of Title VI for the weeks ending September 6 through November 15, 1941, inclusive. The number of new homes started under this Title reached a peak in the week ending September 20, when 966 units had their first compliance inspection under FWA. Subsequently, as result of seasonal factors, there was a slight drop, but even now 600 homes per week are being started.

I think you gentlemen are familiar with the work of my office in preparing coordinated defense housing programs for areas in which acute shortages of housing exist. For the record, however, I submit a few sample Locality Program Reports which embody our recommendations to the President of desirable public and private housing construction in defense areas. These Reports are developed by an inter-agency system (organized by my office) of surveys and conferences and attempt to resolve into a reasonable program the conflicting opinions and information which we receive from various sources. I would like here to submit for your record (as Exhibit XI) an outline of Defense Housing Policy for the fiscal year 1942, which we prepared last August. I believe it states simply and clearly the defense housing problems as we see it and necessary measures for its solution which we are taking and feel will be necessary to take in the near future.

I have already touched upon accomplishments toward a realization of these policies. There are one or two other things I would like to add. First, I want to stress a highly important, but little-known, branch of our work, that of the Homes Registration Division. It has been estimated that in the World War effort 100,000 persons were placed by a similar service. Following that example, we have fostered the development of homes registration offices which are now in active operation in 201 localities, with an additional 150 in process of organization. These offices are local organizations, staffed mainly by volunteers and supported by local contributions, but supervised by and closely cooperating with us. Preliminary reports for October from 120 offices indicate that 8,000 families and 5,000 single persons were placed during that month alone, which represents a tremendous acceleration of this program. On the basis of our experience to date, it is estimated that by early 1942 the program of this Division will be placing 12,000 families and 7,500 single persons each month, which is an annual rate exceeding 140,000 families and 90,000 single persons. Reports on operations through September 20, 1941, show that the 114 offices then reporting had listed 70,000 vacant homes and nearly 95,000 vacant rooms, had received total applications for 52,000 family accommodations and for 18,000 single persons; and had recorded place-

ments of over 17,000 families and 13,000 single persons. It is estimated that reported placements cover only 60 to 80 percent of those actually aided, since some difficulty has been experienced in obtaining complete reports from persons utilizing this service.

In conjunction with this work we have, in collaboration with Home Owners Loan Corporation and Federal Housing Administration, instituted a national campaign to encourage property owners to add additional dwelling accommodations by remodeling. A special fund has been provided to furnish technical assistance to demonstrate to them how, by reconditioning their property, they can obtain a profit for themselves and at the same time vitally assist in alleviating the housing situation. We believe that many thousands of units will be provided in defense areas by this method, which avoids the expenditure of public funds and involves the use of the least amount of labor and material per family housed.

Finally, I want to put on record the facts with respect to priorities assistance for both public and private defense housing. The necessity of a focal point for deciding what constitutes "defense housing" to carry out the coordinated defense housing program, recommended by us and approved by the President, is obvious. My responsibility in this regard was established by a letter from the President, dated September 12, 1941 (submitted as Exhibit XII).

Pursuant to this responsibility a system for priorities aid to privately financed housing was agreed upon with the Office of Production Management and put into effect on September 22, 1941. As of November 7, 1941, 4,397 applications for approximately 87,816 houses had been cleared by field representatives of my office and recommended as defense housing for priorities assistance by the Office of Production Management. Long prior to the establishment of this formal system, my office assisted private builders in defense areas with their priorities problems in those cases deemed necessary to carry out the defense housing program. This work, in a period of considerable confusion and alarm on the part of those interested in the building industry, enabled that industry to keep functioning and directly assisted the completion of 36,814 dwelling units in addition to a substantial further number, of which no accurate record is possible, which were assisted in more or less minor particulars.

With respect to priorities aid to publicly financed defense housing, a parallel system was promulgated on October 23, 1941. Defense housing publicly financed under one of the defense housing acts (such as the Lanham Act) of course presents no problem. Such housing qualifies automatically for assistance. There was a question, however, with respect to establishing criteria for qualifying, as defense housing, public projects originally started for low-rent or slum-clearance purposes, that is to say, projects aided by the United States Housing Authority. The procedures established in this regard are set forth in the attached Exhibit XIII and, it will be noted, are intended simply to assure that the housing will be available to and suitable for defense workers.

The statement made before your Committee that my office was blocking priorities action on 83 public housing projects. I want the record to show that 38 of these were submitted to my office the day before this statement was publicly made, and the balance had been received by us within the previous 10 days. Our processing time for these applications averages about 3 or 4 days, depending upon the complexities of the housing situation in the locality.

These USHA-aided projects are by law and by the policies of the United States Housing Authority and of local authorities ordinarily limited to persons in the lowest income groups. In some states there are further limitations to persons who have actually resided in slum areas for a definite period of time. If maintained, these restrictions obviously would not permit the full use of such projects to assist in solving our defense housing problem. The problem was discussed as early as October 1940. Attached as Exhibit XIV is a copy of a letter, dated October 22, 1940, which I received from Mr. Straus. I would like to quote significant parts of that letter:

"* * * The contracts under which the Local Authorities operate require that these projects be used for rehousing slum dwellers, and in reliance on these contracts the localities have been tearing down or otherwise eliminating old slum dwellings equal in number to the new dwellings in the projects. * * * With respect to these projects we feel that the progress already made should not be lost, and that the original objectives should not be abandoned. * * * Since conversion of such projects to defense housing would, in effect, be an abandonment of the local low-rent housing and slum clearance programs, we do not see our way clear to authorize such conversions, unless arrangements can be made for new low-rent housing projects to replace them. * * * As pointed out above we believe

it inadvisable to divert low-rent housing from its original purpose, and, *therefore, think it is generally unwise to reserve low-rent housing projects in whole or in part for the specific use of persons in defense activities* * * *."

In view of this clearly expressed policy, we naturally were somewhat reluctant to recommend priority assistance to USHA-aided projects until assured that defense housing needs would, as we conceived them, be served, as I think you gentlemen will understand.

In interesting contrast to the letter of October 22, 1940, and to the testimony before your Committee on October 29, 1941, I submit as Exhibit XV a letter from Mr. Straus, dated November 14, 1941, acknowledging our letter of November 10, 1941, and commenting with respect to our review of the first 68 applications for priorities assistance for USHA-aided projects. These had been disposed of as follows:

23 applications had been approved, 2 of which had been processed as emergency needs even prior to the development of procedures.

41 were approved subject to change in tenant eligibility requirements to accord with anticipated incomes of defense workers, subject also to speed-up completion dates.

4 were rejected as not necessary to fill defense housing needs in the localities.

34 were still in process of examination.

I would like to quote to you from that letter of November 14 which I believe represents a little more considered reaction to our point of view than was presented to you on Mr. Straus' appearance here:

"* * * As to the 64 other applications, we are agreeable to all of the changes requested by you, including changes in many cases to increase the top income limit for admission of defense workers and to speed up the completion of construction of certain projects. We are confident that all of the local housing authorities involved will also be agreeable to such changes and we will proceed now to obtain their agreement through their adoption of appropriate resolutions. Now that these projects are to be used for housing defense workers, we will step up the time for their completion by establishing quick time schedules * * *."

All of the above, lengthy as it may be, is, I believe, necessary for a full understanding of the tremendous and complicated problems of defense housing. Some of them have been presented to your Committee in rather a lurid light. These statements illustrate our problems. They should not obscure the fact that, despite them, the program has constituted the largest housing job ever tackled and, to date at least, the most successful.

OUTLINE OF EXHIBITS

- EXHIBIT I. Excerpt from Report of the United States Housing Corporation.
- EXHIBIT II. Press statement of Congressmen Boykin and Holmes, respectively Chairman and Ranking Minority Member of a Subcommittee of the House Public Buildings and Grounds Committee.
- EXHIBIT II-A. List of localities inspected by the Subcommittee of the House Public Buildings and Grounds Committee.
- EXHIBIT III. Charts and data showing numbers of privately financed non-farm homes during current year as contrasted to previous years.
- EXHIBIT IV. Letter, dated October 31, 1941, to Mr. Palmer from N. H. Dosker, Administrator, City of Louisville (Ky.) Municipal Housing Authority.
- EXHIBIT IV-A. Letter, dated July 7, 1941, to Mr. Palmer from Max I. Black, Lieutenant, U. S. N. (Ret.), Chairman, San Diego (Calif.) Defense Housing Committee.
- EXHIBIT IV-B. Letter, dated October 4, 1941, to Mr. Palmer from John N. D. Griffith, Secretary-Manager, San Diego (Calif.) Realty Board.
- EXHIBIT V. Excerpt from TIME MAGAZINE of September 16, 1940.
- EXHIBIT VI. Newspaper clipping from New York Times of December 22, 1940.
- EXHIBIT VI-A. Newspaper clipping from Washington Star of January 7, 1941.
- EXHIBIT VII. Excerpt from Congressional Record of October 17, 1940 (pp. 20675-20676) containing Remarks of Congressman Sabath.
- EXHIBIT VIII. Excerpts from hearings before the Committee on Public Buildings and Grounds, House of Representatives, 76th Congress, on H. R. 10412, August 29-30 and September 3, 1940 (pages 28, 93 and 94).
- EXHIBIT IX. Letter, dated February 5, 1941, from Mr. Palmer to the Congress forwarding draft of a bill to amend the National Housing Act by adding Title VI.
- EXHIBIT X. Charts showing Title VI performance.
- EXHIBIT X-A. Title VI Statistics.
- EXHIBIT XI. Outline of Policy on Defense Housing for Fiscal year 1942.
- EXHIBIT XII. Letter, dated September 12, 1941, from the President to Mr. Palmer.
- EXHIBIT XIII. Procedure for Obtaining Certification for Preference Rating for Publicly Financed Defense Housing Construction.
- EXHIBIT XIV. Letter, dated October 22, 1940, from Mr. Nathan Straus to Mr. Palmer.
- EXHIBIT XIV-A. Letter, dated November 5, 1940, from Mr. Nathan Straus to Mr. Palmer, containing list of 21 areas in which USHA had been requested to make USHA-aided projects available for defense housing purposes.
- EXHIBIT XV. Letter, dated November 14, 1941, from Mr. Nathan Straus to Mr. Palmer.

EXHIBIT I

EXCERPTS FROM REPORT OF THE UNITED STATES HOUSING CORPORATION—VOLUME 1

Pages 1 and 2:

"When the United States Government became involved in the war upon the Central powers it was forced immediately to arrange for the production of colossal quantities of war essentials. To win the war quickly and with minimum loss of life it was necessary to produce ships, munitions, and supplies not only in vast quantities but of superior quality and with utmost speed. It was necessary, therefore, to organize all the economic and social forces of America for maximum effectiveness.

"Contracts of unparalleled (stet) magnitude for the manufacture of munitions and supplies and for the building of ships were entered into by the Federal Government. These contracts were made largely with firms already handling similar contracts for our European Allies—firms which had the technical experience and organization which would make possible a vast expansion of output. The activities of government arsenals, proving grounds, and navy yards were simultaneously increased by several hundred or even several thousand per cent.

"The efficiency of fighting forces is absolutely dependent upon the efficiency of the industrial organization which supplies and transports their food, clothing, munitions, and other equipment. Defect at any point in the industrial organization meant the postponing of victory and a needless waste of human life. It was indispensable, therefore, that all plants engaged in the production of war essentials should have an adequate supply of labor. It was equally indispensable that such labor should be in the highest degree efficient.

"As the plants which produced the war materials were largely concentrated in a relatively restricted area, and as a large proportion of them also (because of the dangerous character of the material handled, or for other strategic reasons) were inevitably placed in regions remote from large cities, the problem of supplying the labor in the quantity needed was exceedingly difficult. Unskilled labor could frequently, but not always, be drawn from the cities located nearest the plant. Skilled labor was secured with immense difficulty from all parts of the United States.

"Labor could not be held at these plants unless adequately sheltered. The quantity of labor was dependent upon the quantity of housing of suitable types available for any particular project. The quality of work performed was absolutely dependent upon the health and contentedness of the laborer. The health and contentedness of the laborer were in turn dependent upon the conditions under which he lived. The Federal government was, therefore, forced to consider both the quantity and quality of housing of all labor engaged, directly or indirectly, in the production of war essentials.

"The housing shortage occurred in two types of communities. These were, first, cities such as Bridgeport, New London, and Erie, where huge contracts had been placed, and where the increased labor supply quickly exhausted all the available housing facilities. Second, there were remote communities where proving grounds, bagloading plants, or other dangerous industries were necessarily placed and where no housing facilities whatsoever were available.

"In the cities referred to the increase in the labor supply was very rapid, as, for example, in Bridgeport, where the increase had been continuous since 1914 because of the war orders placed by the Allied Governments. Under normal conditions housing for an existing or anticipated increase in population will be provided by private capital, but the rapidity and volume of the increase were under war conditions too great for private capital to compass. The difficulties of operative builders in meeting this situation were accentuated by the fact of a rapid rise in the cost of labor and materials and by the withdrawal of capital for other forms of investment. In the early days of the war there was a great deal of scattered private building, but the volume continuously decreased as the war progressed. In the year 1918 after the establishment of the War Industries Board and the subsequent issuance of restrictions upon construction and transportation the volume of private construction became negligible. With each year of the war the housing shortage became more general and more acute, so that by the end of 1918 practically all American cities had failed to replace buildings lost by fire or obsolescence or to provide for the natural increase of population.

"The manufacturers of war materials in nearly a hundred American cities found they would be unable to maintain a labor force sufficient to fulfill their contracts in time unless housing should be provided for their labor. In the more remote plants there was a shortage or absence of houses for all classes. In the cities unskilled labor could generally be recruited from the local supply, but no accommodations were available for skilled labor which had to be brought in from outside. Many plants were able to find housing for unmarried men, but needed new construction for woman labor. Often employers were able to get labor by the promise of good wages, but were unable to retain it because they could provide housing only in quarters already overcrowded.

"The shortage of houses also led to profiteering in rents, which was a source of serious discontent and caused vast numbers of employees to leave their jobs and return to the cities from which they had migrated.

"Not only was the available quantity of housing grossly inadequate but the quality of such housing as was available was also inadequate. Crowded and insanitary housing was responsible not only for a heavy labor turnover but also for inefficiency and discontent on the part of those operatives who, attracted by high wages, put up with unwholesome conditions and remained on the job. * * *

Page 3:

"The seriousness of this condition and its relation to discontent, inefficiency, and a labor turnover so high as to imperil the fulfillment of contracts for war materials which were imperatively and immediately required, is shown in the following selections from the reports of investigators, and letters received from officials of the Navy proving grounds, arsenals, and private corporations engaged in the manufacture of war essentials.

"Letter of John M. Rice, assistant engineer, of Morris Knowles, (Inc.), to the Tri-Cities Housing Committee of Florence, Sheffield, and Tusculumbia, Ala., dated May 23, 1918:

* * * * *

"The housing facilities at present existing are entirely inadequate to provide for this large influx, and while a large number engaged in construction work are housed in cantonments at the site of the works many are living in the towns under congested conditions which, in addition to the potential dangers from over-crowding, are causing discontent and dissatisfaction. This is clearly reflected in the large labor turnover estimated at 400 percent which obtains in spite of high wages.'

Page 4:

"Letter of William T. Cobb, president, Bath Iron Works (Ltd.), to the United States Emergency Fleet Corporation, dated January 31, 1918:

"This corporation is engaged exclusively in the construction of torpedo-boat destroyers for the United States Government.

'All through the summer, fall, and winter we have found it increasingly difficult to secure an adequate supply of labor on account of lack of housing facilities in this city. We feel that the situation here, so far as securing labor is concerned, is as difficult as in any other place where yards doing a similar work are located. Men come here, apply for work, and then leave because of their inability to secure suitable homes for their families or even for themselves.'

* * * * *

Page 9:

"Estimates prepared by the Housing Corporation in the summer of 1918 indicated a need for housing for 212,733 men workers and 79,916 women workers, or altogether for 292,649 persons engaged on war contracts in 71 cities or districts. (See Vol. II, Table 1, pp. 390-393.)

"There was abundant evidence, supplied or corroborated by the War and Navy Departments, that unless suitable dwellings could be provided for these workers the fulfillment of contracts indispensable to the war program would be gravely imperiled."

* * * * *

EXHIBIT II

PRESS STATEMENT OF DEFENSE HOUSING

(Released at Press Conference Friday, October 31, 1941, by Congressman Frank Boykin, Chairman of Sub-Committee of the House Public Buildings and Grounds Committee and Congressman Pehr Holmes, Ranking Minority Member, following inspection by Sub-Committee of Defense Housing Projects)

During the last month our Sub-Committee of the House Public Buildings and Grounds Committee has inspected housing projects all over the country from San Diego, California, to Portland, Maine, and from the Great Lakes to the Gulf. It is but fair to say that considering the size of the housing program, the number of federal housing agencies involved and the many difficulties encountered, on the whole, this program has been well handled.

We aren't relying on second-hand information in making this statement. We have seen the proof of it with our own eyes, and we have searched every angle of the defense housing situation carefully, personally, and on the spot.

Everywhere we went, from coast to coast, we made it our business to talk to everybody who might have some useful information about the problem, tenants in projects, as well as housing officials, local business men, as well as local labor leaders. We held open meetings and invited criticism, and we got a cross-section of public opinion about the projects in every community we visited.

We have returned to Washington convinced that in general a first-class efficient, and workmanlike job has been done on defense housing, and we have become convinced that the volume of defense housing has not kept pace with the volume of defense manufacturing that requires the dislocation of thousands of workmen to places where homes are not available. For this reason we are strongly of the opinion that the additional funds for immediate expansion of housing facilities is a dire necessity. We find that the Coordinator of Defense Housing has programmed the necessities well, and that the plans for future housing to be built in accordance with any future appropriations will be equally well distributed.

We have also become convinced from out of all the testimony received during the course of the trip that the Government should not enter into the business of constructing homes wherever commercial or private capital will, or can be enticed into being used for this purpose, and that every effort should be made in the development of future housing to interest such private or commercial funds before entering the market in competition with commercial development, and we further believe that the Government should extend the use of its priority facilities for the benefit of any such commercial development of housing for defense purposes.

Naturally, no great public program of this nature, carried forward at high speed under terrific pressure, can be perfect. We have several specific recommendations to make, based on our survey of local opinion as well as on our own inspections, which may help to iron out certain difficulties still existing in some sections. For example, we believe that an even greater care should be taken in selecting sites, so that local needs and conditions will be fully respected and the least possible criticism can be incurred.

In some northern communities the projects might benefit by the use of cellars, to conform to local custom, and in various parts of the country we were told that single houses would be better than row-houses. We understand that an expert study of such technical matters is now under way, under the sponsorship of the Coordinator of Defense Housing.

Some communities feel that more than 15% of the rents should be set aside to be paid to the city in lieu of taxes. It is certainly the intent of Congress that no city shall be required to carry more than its fair share of the defense load, and we, therefore, recommend that the 15% limitation be discontinued in favor of a system whereby each case will be considered on its merits, and the payment in each case be fixed in relation to a fair taxable value.

There has been talk in Washington about confusion in Government housing circles, over-lapping functions of Government agencies, and a resulting loss of efficiency. - Our trip has convinced us that, despite all these handicaps, the program under the direction of the Coordinator has in a large measure been a success, and has achieved this success in the face of great difficulties.

The Members of this Sub-Committee realize that the morale of defense workers is a vital element in the success of the defense program. We have been commended throughout the country for the diligence and thoroughness with which the Committee handled its investigation.

We have already stated publicly, and we repeat that statement now, that this Sub-Committee considers the defense housing program just about 95% successful. Because we sincerely believe this, we emphatically urge the passage of the pending legislation at the earliest possible moment, so that this very important part of our national defense effort will be able to keep pace with other parts of our defense program in the all-out battle against Hitlerism.

EXHIBIT II-A

INSPECTION TRIP OF DEFENSE HOUSING CONDUCTED BY THE SUBCOMMITTEE OF THE HOUSE
PUBLIC BUILDINGS AND GROUNDS COMMITTEE

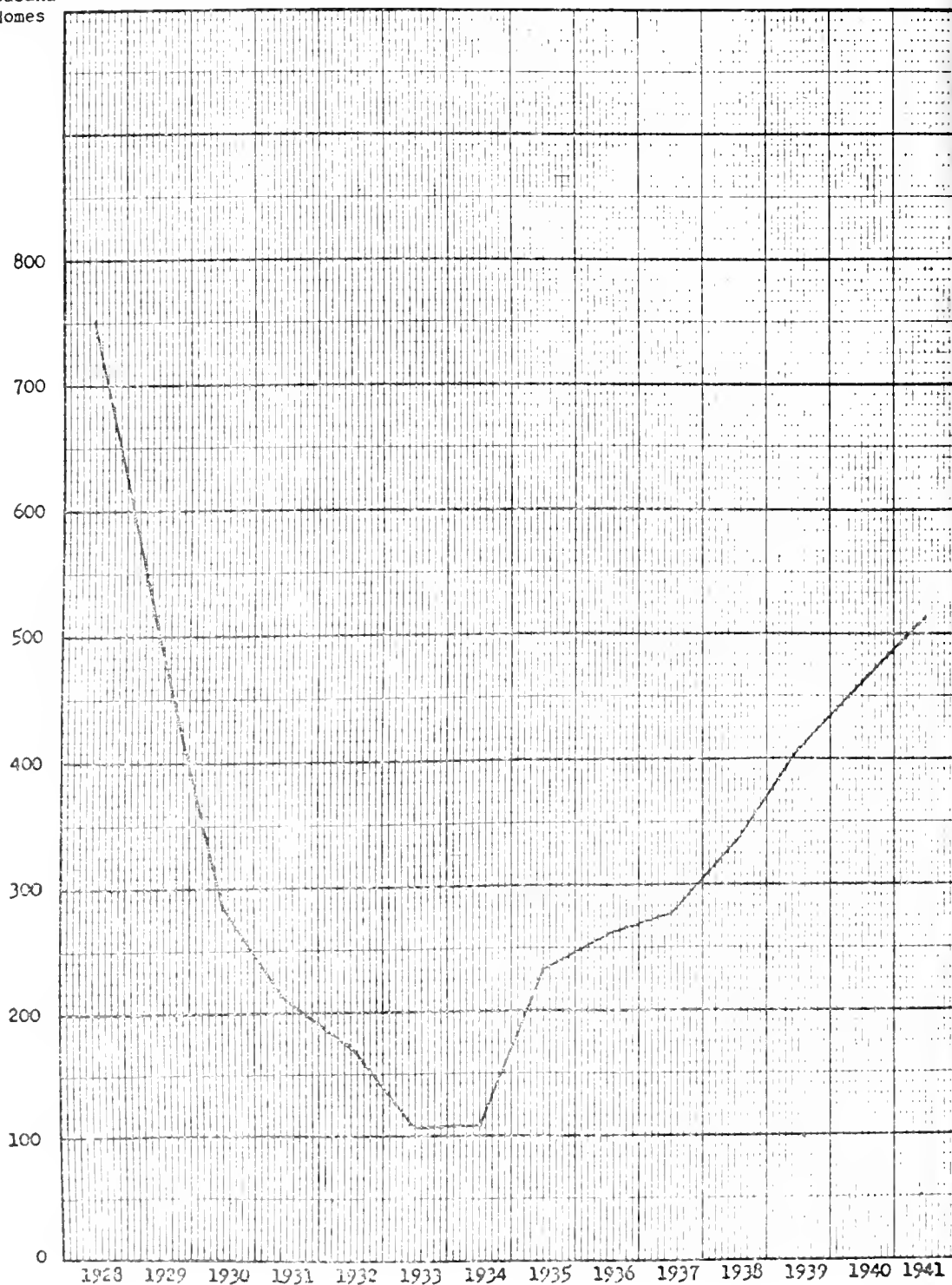
Albuquerque, New Mexico	Newark-Elizabeth, N. J.
San Diego, California	Paterson-Passaic, N. J.
Long Beach-San Pedro Harbor, Calif.	Bridgeport, Connecticut
Vallejo, California	Hartford, Connecticut
Ogden, Utah	Springfield, Massachusetts
Wichita, Kansas	Boston, Massachusetts
Crab Orchard Lake, Illinois	Portland, Maine
Charlestown, Indiana-Louisville, Kentucky	Bath, Maine
Detroit, Michigan	Portsmouth, New Hampshire
Buffalo-Niagara Falls, N. Y.	Indianhead, Maryland
Pittsburgh, Pennsylvania	Baltimore, Maryland

EXHIBIT No. III

Private housing in nonfarm areas—Number of homes

Year	Defense areas			Nondefense areas, total	Total non-farm, total
	Under \$6,000	Over \$6,000	Total		
1941.....	*215,000	\$185,000	*400,000	*115,000	*515,000
1940.....	185,000	140,000	325,000	141,000	466,000
1939.....	160,000	120,000	280,000	128,000	408,000
1938.....	(a)	(a)	(a)	(a)	340,000
1937.....	(a)	(a)	(a)	(a)	282,000
1936.....	(a)	(a)	(a)	(a)	261,000
1935.....	(a)	(a)	(a)	(a)	139,000
1934.....	(a)	(a)	(a)	(a)	55,000
1933.....	(a)	(a)	(a)	(a)	54,000
1932.....	(a)	(a)	(a)	(a)	74,000
1931.....	(a)	(a)	(a)	(a)	212,000
1930.....	(a)	(a)	(a)	(a)	286,000
1929.....	(a)	(a)	(a)	(a)	509,000
1928.....	(a)	(a)	(a)	(a)	753,000
1929-40 average.....	(a)	(a)	(a)	(a)	257,000

* Estimate on balance of calendar year on rate to date.
(a) Not available.

Thousand
Homes

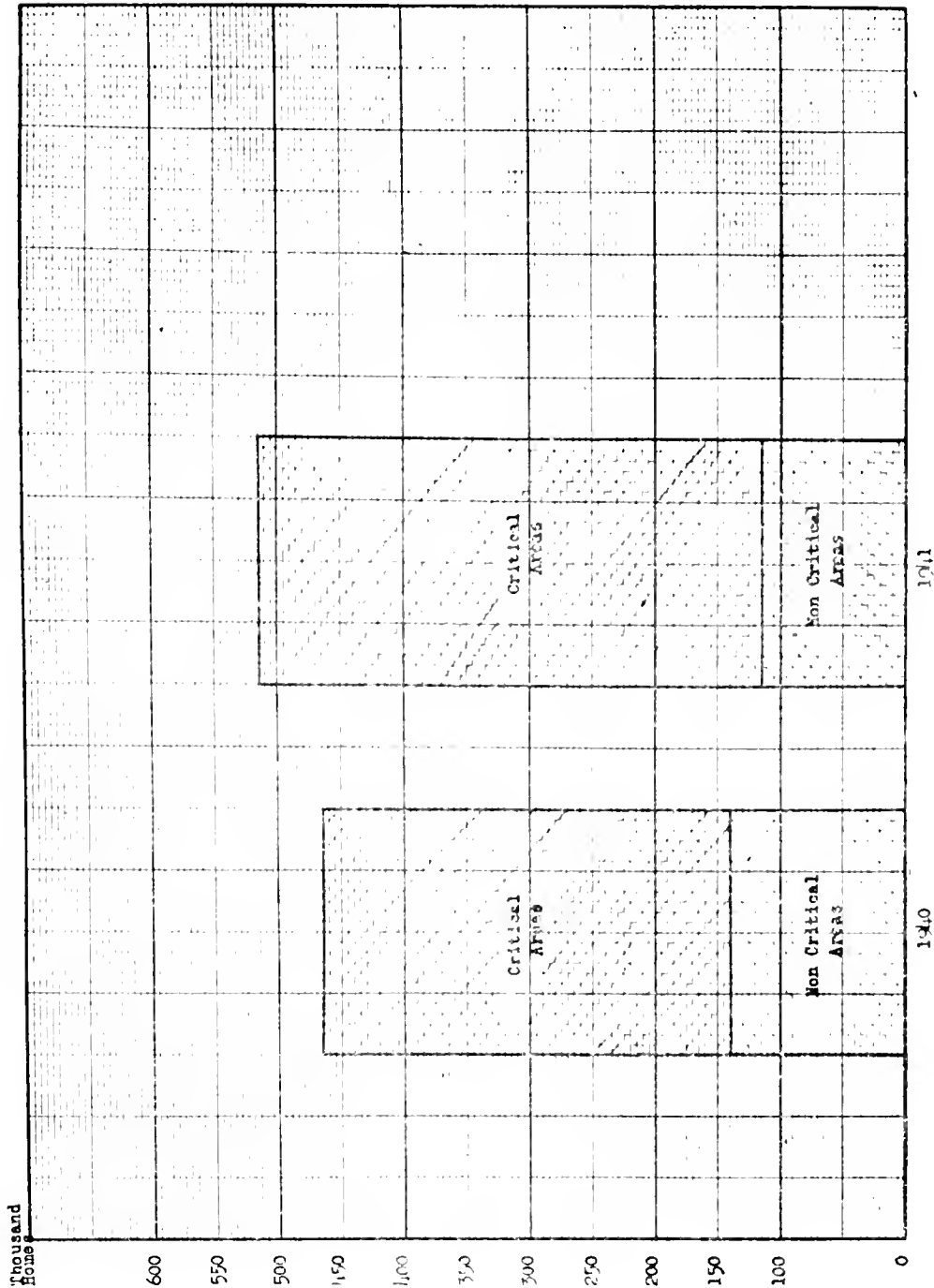


EXHIBIT IV

CITY OF LOUISVILLE,
MUNICIPAL HOUSING COMMISSION,
Louisville, Kentucky, Oct. 30, 1941.

MR. CHARLES F. PALMER,
*Coordinator, Executive Office of the President, for Emergency
Management, Division of Defense Housing Co-Ordination,
1600 Eye Street, Washington, D. C.*

DEAR CHUCK: Please find enclosed copy of a letter which is self-explanatory and which I wrote today to Coleman Woodbury. I merely want to write you personally to say to you that your handling of the Defense Housing Situation in this area has resulted, and is resulting, in exactly what I believe the President wants, viz: to have private capital carry the load in providing housing for defense workers to the greatest extent possible.

There will be no "desperate" housing condition in this area this winter, nor any dangerous congestion. Our local Rehabilitation Council has practically completed the raising of a \$15,000.00 budget for the purpose of initiating our Rehabilitation Program. Committees have long been at work, and we have arranged to employ one of the best publicity experts in the United States to act as Executive Secretary of the Rehabilitation Council, and to initiate a campaign to "sell" this city on general rehabilitation, the first step of which is the rehabilitation of sound, old homes for the purpose of dividing them into as many units as is feasible.

Practically all of this building of private homes by private capital, and certainly the raising of this fund to rehabilitate, would have been killed "deader than a door nail" if the government had built even an equal number of defense housing units in this city.

Our present Public Housing Program is now providing shelter to 381 tenant families working in defense industries under a very narrow definition, or a total of 20% of all of our families. Under a broader definition it would approach 40 or 50%. In our new projects we have announced our willingness to give a reasonable preference to defense workers.

I believe you will agree with me that our situation here is under control in so far as we can foresee our housing needs.

With kindest personal regards, I remain,

Sincerely yours,

N. H. DOSKER, *Administrator.*

EXHIBIT IV-A

COMMANDANT'S OFFICE,
ELEVENTH NAVAL DISTRICT,
San Diego, California, July 7, 1941.

MR. CHARLES F. PALMER,
*Coordinator of Defense Housing, Executive Office of the President,
1600 Eye Street NW., Washington, D. C.*

MY DEAR MR. PALMER: In reply to your letter of June 20, 1941, I wish to thank you for your efforts in helping us solve the problem of the housing of trainees in this area. The telegram authorizing the use of five dormitories to house N. Y. A. enrollees was received on Friday, June 27, and the entire N. Y. A. resident project was moved by June 30.

It would appear at the present time that more dormitories for trainees may be needed. I am working out the details with F. S. A. and N. Y. A. officials, and if sufficient funds are allocated to N. Y. A. for enlarging the project, we will inform you as to our needs and as to the availability of the dormitories for this use.

I wish at this time to thank you and your staff for your expression of appreciation for the job we are trying to do, and I wish also to tell you that we feel that you and your staff are doing an excellent job.

In brief, the situation in this area has been greatly relieved, and we feel that we now have the situation "well in hand." The very fact that we now know where we stand is a great comfort to everyone here. There is no comparison between the situation now and the chaotic condition of six months ago. We know that the present condition is due solely to your efforts.

In regard to the third paragraph of your letter, please accept my apologies for the mistake in the dates. I only had a few hours to write that report to the Tolan Committee and in the rush to have some sixty copies printed I did not check it as carefully as I should have.

With kindest personal regards,

Sincerely yours,

MAX I. BLACK,
Lieutenant, U. S. N. (ret.),
Chairman, San Diego Defense Housing Committee.

EXHIBIT IV-B

SAN DIEGO REALTY BOARD,
San Diego, Calif., October 4, 1941.

Mr. CHARLES F. PALMER,
Defense Housing Coordinator,
Federal Loan Agency Building, Washington, D. C.

DEAR MR. PALMER: Recent dispatches from Washington, carried in the San Diego Papers, state that John M. Carmody, Federal Works Administrator, testified before a Senate Committee that many Defense Housing units had been built without reason, because of the very insistence of the Housing Coordinator's Office.

Mr. Carmody also states that 750 dormitory units were built in San Diego and only 44 are occupied. The dormitory units Mr. Carmody refers to were built by his group, P. B. A. They knew at the time they built them that P. B. A. had no funds with which to furnish the units, so, of course, they stood idle for about two or three months.

These 750 dormitory units were, of course, part of the original allotment for housing approved by your office. When, however, P. B. A. decided to build these units, they did so without reference to any local groups, or officials, or authorities; and the site was chosen without reference to any local officials or authorities by agents of Mr. Carmody's Department. The site chosen was remote from any small shopping district or any restaurant or place where the men could secure meals. It was evidently chosen because it was adjacent to Consolidated Aircraft Corporation's new Parts Plant, which had hardly been started at that time, and which is not yet completed.

If Mr. Carmody or his aides had consulted with the local Defense Housing Commission, they could have well been informed as to the need for rooms or dormitories and when that need might develop. Within the past five or six weeks P. B. A. obtained sufficient funds to furnish one building, containing about 44 units. It was rented within 24 hours. In the meantime about 700 rooms are still unfurnished and therefore vacant. As they are furnished, there will undoubtedly be a need for these rooms and they will be rented.

It seems to me that Mr. Carmody's statement is not complete, nor does he tell the whole story, the details of which are certainly known to his office.

On July 11, 1941, according to an A. P. news release, Mr. Carmody testified before the House Committee on Public Buildings and Lands that in San Diego great pressure had caused over-building of housing. This statement of Mr. Carmody was challenged by local authorities as it was without fact; and yet, he no doubt had access to monthly reports as to housing occupancy and need, if he cared to refer to them. We are very glad to state that from the office of the Defense Housing Coordinator, we have received constructive cooperation in attempting to carry out a housing program in San Diego which was basically sound. This program provided that sufficient housing be supplied for Defense workers, that private capital be encouraged to build to its full capacity, that a safe portion of housing built by the Government be temporary; the whole program based on a plan which would not only prevent over-building, but would provide for this City a cushion against overproduction after the emergency through the use of the proper proportion of temporary housing.

It is my opinion that the local Defense Housing Commission, working in conjunction with the office of the Defense Housing Coordinator, has been able to bring about an orderly process of charting the need of housing for Defense workers, due to the fact that all hiring programs and home-building programs are cleared through this office. Regular reports, are of course, sent to Washington.

I have taken the liberty of expressing these thoughts and opinions to you for what they may be worth, and in appreciation of the cooperation that your office has advanced.

Yours very truly,

JOHN N. D. GRIFFITH,
Secy.-Mgr., San Diego Realty Board.

EXHIBIT No. V

EXCERPT FROM TIME MAGAZINE, SEPTEMBER 16, 1940

A U. S. problem during World War I was housing for workers in defense industries. Near the war's end the emergency U. S. Housing Corp. calculated a shortage of adequate shelter for 292,000 workers. Aircraft, steel, other companies reported that they could have increased efficiency, upped production 20% or more, simply by enough decent houses to keep workers from wandering elsewhere.

Last week the U. S. boomed toward defense production at wartime levels. But the U. S. already had signs of another housing shortage. Worst shortages were at and near shipyards (Bremerton, Wash.; Norfolk, Va.; Newport, R. I.; Mare Island, Calif., etc.) where workers flocked by thousands. At Bremerton (Puget Sound Navy Yard), State patrolmen, harried by reports of "stolen" and abandoned cars, wearily retorted: "Hell, there's guys living in them—Navy Yard workers."

The Army also had a shortage of barracks. Many World War I cantonments were long since abandoned, others were hardly fit for habitation. Some of the National Guardsmen whom President Roosevelt called up last fortnight must be housed in tents. First increments of volunteers and conscripts must be similarly sheltered unless (as the Army hopes) new barracks can be knocked together before the men go into service. Army officers at the end of July testified that if Congress promptly voted conscription and \$1,100,000,000 in additional funds for pay and shelter, adequate housing could be built in time to care for the new troops.

All this should have presented no great problem. The New Deal had two great agencies (USHA, FHA) whose business was mass housing. RFC, WPA could also be enlisted to finance and build emergency houses. Enconced in the National Defense Advisory Commission was keeneyed, balding Atlanta Builder Charles F. ("Chuck") Palmer, to coordinate all defense housing. His consultant was young (36), aggressive Washington Builder Gustave Ring, who had made a tidy fortune of apartment buildings which U. S. housing agencies partly financed. Last week Mr. Palmer figured that the U. S. defense industries needed 42,000 new housing units, the Navy needed 65,700 more; the Army soon would need at least 50,000. Within a year or so, must come also housing for workers of the new powder, gun, armor, and other factories which the Army and Navy expect to finance. To a \$5,246,000,000 Defense Bill which Congress passed last week, \$100,000,000 had been added for general defense housing, \$128,000,000 for National Guard barracks.

But money could not solve "Chuck" Palmer's troubles. Red tape, inter-bureau rivalries delayed any clear definition of the housing problem. Coordinator Palmer hoped to get private builders to put up the needed houses with U. S. funds, provided he could keep housing bureaucrats out of his and each other's hair.

EXHIBIT VI

[From the New York Times, Sunday, December 22, 1940]

HOUSING SHORTAGE IN MAJOR CENTERS IMPEDES DEFENSE—FEDERAL COORDINATOR TACKLES SHELTERING OF LABOR FOR EXPANDING INDUSTRIES—LOCAL OPPOSITION FACED—DESPITE CROWDING AND RISING RENT, SOME CITIES FEAR EXCESS OF HOMES AFTER EMERGENCY

By Byron Darnton

Hartford, Conn., whose defense industries are making airplanes, machine tools and small arms, will need at least 14,000 new workers in the next year, but already, as the Hartford people put it, "you can't get a rent anywhere."

In Detroit (tanks, airplane parts), rent increases of 14 to 40 per cent are reported. There is talk of asking the State for a law to freeze rents.

At Portsmouth, Va. (warships) civilian housing officials say that not long ago the Navy Yard was losing 100 workers a day because men could not find decent places for their families to live in. Navy Yard officials do not discuss the matter. With their colleagues in other naval stations throughout the country, they have been ordered by Washington not to talk about housing.

At Seattle (airplanes, naval vessels at the near-by Bremerton yard) an architect says: "By June of next year they'll be sleeping in the streets."

At Rock Island, Ill. (biggest manufacturing arsenal in the world), lack of housing may make it impossible to meet fully the nation's demand for arms.

At San Diego, Calif. (airplanes), the auto courts are jammed, hotels are 90 per cent occupied even weekdays; portable houses and dormitories are being called for.

At Bridgeport, Conn. (machine tools, shell casings, airplanes, small arms), men report daily for work from homes as far away as New York City; that means four hours of automobile commuting.

There is, then, a tremendous housing shortage in the key points from which the nation must receive the implements of war that it has to have—and has to have soon.

GUAGE-MAKER'S TENEMENT

Consider the home in which Stephen Raslavsky, a tiny but important cog in our industrial defense machine because he is a maker of gauges, must live with his wife and ten children. The Raslavskys have been having a child a year regularly; the youngest is two weeks old.

The Raslavskys live at 94 Church Street in Bridgeport. They have six rooms, three on the first floor, three on the second. To get to the second floor they have to go outdoors and climb a stairway that leads to a porch. They have three double beds and two cots. A wood stove, used also for cooking, provides the only heat; the third floor is heatless.

According to one of his daughters, Mr. Raslavsky has worked thirty-four years at the same plant. With overtime he now makes \$40 in a good week.

The wooden tenement in which the family lives has not seen paint for years. The wind cuts under doors and through worn window casings. Plaster peels in the unkempt hallways.

This decayed tenement stands alongside newly built units in one of Bridgeport's slum-clearance housing projects, erected by the Bridgeport Housing Authority with government funds. The tenement should be pulled down to provide an open area for the development. It cannot be demolished because the Raslavskys have no other place to go.

Before the baby was born Mrs. Raslavsky fruitlessly walked the streets looking for a place to rent. Last Sunday her husband and his brother spent the day in the search.

"Everything costs too much for us," explained one of the daughters. "And every place they say they don't want children."

REAL HOME FOR NAVY WORKER

Put alongside the Raslavskys another family, the Meltiers of Portsmouth, Va. Mr. Meltier operates an electric furnace in the Navy Yard. On straight pay he makes \$36 a week; overtime frequently puts his wage around \$45.

Mr. Meltier is married, has no children, but frequently plays host to relatives. He lives in a house that was built about a month ago. On the first floor are the living room, kitchen and dinette and bathroom; on the top floor, two bedrooms and a sewing room. There are electric refrigeration, modern machinery and tubs for washing clothes and the latest kitchen gadgets.

The house is tight as a drum, easy to heat; the heating unit, oil-burning, is in the living room. First-story floors are hardwood. The bath has proper fixtures.

"I was paying \$20 a month for a lousy place," says Mr. Meltier. "When I looked around for a new place I couldn't find anything worth living in under \$40, and it was nothing to shout about. Then I came here.

"This house costs me \$24 a month. I'm buying furniture, and that's \$12 a month. So that makes \$36 a month, and I'd have to pay \$40 for something not nearly so nice. And when the payments are finished the furniture will be mine, and at the end of twenty years the house will be mine."

FEDERAL FINANCING AS KEY

All that magic has been brought about by a government-financed building project. Whatever the eventual financial record of that project may be, it is paying dividends right now to the Meltiers and the hundred or so other Navy Yard families occupying the houses that have been finished.

For all of them are well housed, all of them are proud that they're buying something for the years—and every worker in the place is ready to deliver a full day's work every day. All have a stake in the country.

"Now just look at all that closet space," Mr. Meltier said to a visitor a week ago. "And this dormer window. It makes the bedroom seem a lot bigger. It cost me extra, but it's worth it.

"They were nice about making little changes like that. Like to get the heater in the front room; we had to move the archway over a foot, but they did it without charging me anything."

Are the men who, in the months to come, must build our planes and tanks and warships to be housed like the Meltiers or like the Raslavskys? Government authorities are convinced that in the answer to that question may lie the whole issue of defense-worker morale.

The World War provided a laboratory in which the importance of that morale was tested. There were instances of 1,000 per cent a year labor turnover resulting from bad housing. At times production in the most crowded centers almost broke down.

And so a great deal is being done to provide proper housing for this emergency. A large-scale program has been laid out, thousands of dwelling units already have been built, thousands more are projected, tens of thousands will be built.

DETERMINED TO END SHORTAGES

In many places, dangerous shortages still exist. In many places, they will continue to exist for some time, because large housing developments cannot be put up overnight.

But the importance of the job has been recognized; whether the program will be complete enough and fast enough to forestall the three-shift boarding-house beds, so disastrously common in 1917-18, remains to be seen. In Washington confidence is expressed that this time things will be different.

"We must see that not a single rivet in a destroyer is delayed for lack of a skilled workman because he couldn't find a place to live," says C. F. Palmer, housing coordinator of the National Defense Advisory Commission. "We must see that the production of an airplane does not slow down because decent housing can't be had when needed."

That ideal is impossible of attainment because in certain places delays already have resulted. But the sore spots are being attended to. Production reports six months from now will tell whether the effort has been successful.

The housing coordinator estimates that \$700,000,000 worth of defense housing is needed over the country. That means about 200,000 units. The estimate, admittedly, is rough. Surveys are now going forward to get a more exact picture.

STEPS IN MEETING SITUATION

Since the New Deal has been in Washington numerous housing bodies have been created and numerous housing laws passed and amended. The defense emergency has brought additional legislation. It all boils down, from the defense angle, to this:

Available for housing is \$290,000,000 in Federal funds. Private industry is expected to do the rest of the \$700,000,000 job.

The housing coordinator's office has developed a routine for determining just what must be done in any community in which there is much defense activity.

The first step is to obtain from the Army, Navy and the Defense Commission data indicating how great the defense activity is—how many units will be required, at the peak, for emergency industrial employees, for the families of enlisted personnel.

Then an investigation is made in the community. It establishes how many vacant houses are available, what contribution communities within commuting distance can make, whether the need for new housing is likely to be temporary

or permanent, what kinds of housing will be needed in terms of rents within the workers' income.

Next, the part private enterprise is ready and willing to play is determined. On the basis of all the data the coordinator makes his decision.

PHILADELPHIA-CAMDEN OUTLOOK

For instance, in the Philadelphia-Camden area the situation was summarized by the coordinator thus:

"Increased activity of shipyards in the Philadelphia locality is the major factor that has contributed to the present need for housing. Defense contracts awarded to both the New York Shipbuilding Company in Camden and the Philadelphia Navy Yard are causing an influx of workers and their families.

"In addition, defense contracts for ordnance, ammunition, airplane engines, clothing and miscellaneous items have been awarded to local manufacturers, resulting in a large increase of employment.

"In Camden a minimum need for defense housing of 2,000 dwelling units has been received from several investigating agencies. Reports also indicate that there is almost no available vacant standard housing in Camden and that practically all available standard houses within reasonable commuting distance are being absorbed.

"Private enterprise is active in the construction of housing in this locality. However, private enterprise cannot meet the entire need because of the risk involved due to the fact that employment may last only a few years.

"In Philadelphia the Navy has reported a need for 100 dwelling units for families of non-commissioned officers who can pay shelter rent of only about \$11 to \$26 per month, and a need of 1,000 dwelling units for families of civilian workers at the Philadelphia Navy Yard.

"The wages of these workers make it possible for them to pay rents ranging from about \$33 to about \$45 per family per month. It is anticipated that increased employment in connection with the Navy Yard will continue for a period of years.

DETAILING OF PROGRAM FOR AREA

"The following locality program is recommended:

"Camden—It is recommended that 1,500 dwelling units for families of civilian workers in the New York Shipbuilding Company, who can afford to pay monthly shelter rents of approximately \$30 to \$45, be assigned to private enterprise.

"In the event that private enterprise cannot supply this number of houses within a reasonable time, consideration will be given to the construction of approximately 500 units by the Defense Housing Corporation of the Reconstruction Finance Corporation with mortgage insurance by the Federal Housing Administration.

"In addition, it is recommended that 500 dwelling units for families of civilian defense workers in the New York Shipbuilding Company who can afford to pay a monthly shelter rent of approximately \$20 to \$30 be assigned to the Federal Works Agency under Public Act 849, known as the Lanham act.

"Philadelphia—In order to accommodate 100 families of noncommissioned officers who can pay shelter rents of only about \$11 to about \$26 per month, the Philadelphia Housing Authority has agreed to reserve sixty dwelling units in the Tasker Street USHA-aided project, and it is recommended that forty additional families of enlisted personnel who can qualify for occupancy be given priority in the selection of tenants for this project.

"It is recommended that 500 dwelling units for families of civilian workers in the Philadelphia Navy Yard who can afford to pay a shelter rent of approximately \$33 to \$45 be assigned to private enterprise.

"In addition, it is recommended that 500 dwelling units of approximately the same rent scale be provided in the immediate vicinity of the Navy yard for civilian workers of the Navy yard under Public Act 849 through the Federal works agency. This project has not been assigned to private enterprise because of some doubt expressed as to its desirability for prompt investment of private funds."

CONSIDERING LOCAL INTERESTS

The Philadelphia-Camden summary demonstrates the method by which the coordinator determines whether public funds shall be used for needed housing or

whether the job shall be left to private enterprise. That, in many communities, is a touchy question.

The coordinator is faced not only with the task of coordinating the work of the various government agencies; he must also preserve smooth working arrangements with the private enterprise that is depended on to do the major part of the defense housing job.

Real estate interests have not looked with any great joy on the public housing that has been going up in the last few years. And in many communities those interests are similarly suspicious of the job of defense housing now going forward.

They have some arguments. Feverish building now to meet emergency needs may mean too much housing when the trouble is over—whenever that may be. Too much housing in a community means the depressing of all housing values. That means trouble for mortgage holders, banks and private home owners.

QUESTION OF MUNICIPAL OUTLAY

And there's still another matter. Vast developments for defense workers mean calls on municipal governments for vast expenditures for schools, sewage systems, water systems, and all the services that are community-supplied.

In many communities these possible post-emergency difficulties are looming much larger, in the eyes of both real estate operators and public officials, than are the more immediate needs of the nation in guns, planes, tanks, ships. And the idea of "terrible urgency" has not yet been accepted throughout the country.

Complicated on the one side by the attitude of many real estate interests, the task of the government defense housers is made difficult on the other by those public housing enthusiasts who see in the present emergency a golden opportunity to wipe out the slums of the nation under the guise of performing a necessary war service.

To date the coordinator's office has announced public housing projects for defense in seventy-three vital areas—from Bangor, Me., to the Island of Oahu in Hawaii. New York City is not in the list. The need for defense housing here has not become acute.

SURVEY OF DEFENSE CENTERS

Conditions and probable requirements in several important centers of defense industry have been compiled as follows:

HARTFORD

Special to the New York Times

HARTFORD, Dec. 21—"Life in a trailer camp is healthy," says the proprietor of one such camp on the outskirts of East Hartford.

"Take, for instance, when a woman has a baby. We've had three right in this camp. Not born here, but in the hospital. The doctor let the mothers come home in five days. No stairs to climb in a trailer, and just as comfortable as a hospital bed."

There are forty-five trailers in that camp. Alongside is another camp about the same size. The majority of the men who live there work in Hartford's defense industries, notably in the United Aircraft plant.

Some of the families are there because they prefer trailer life, some because in Hartford, as the saying goes, one cannot "get a rent." The house vacancy ratio is $\frac{1}{2}$ per cent.

A down payment of one-third obtains a trailer. Installments can be arranged to run over twelve to twenty-four months. The camp proprietor argues: "At the end of that time you haven't just got a handful of rent receipts."

Nor does the trailer tenant have a handful of tax receipts—which is one reason why community authorities are fretting about the possible growth of this kind of housing. For trailer camps are the homes of children just as city blocks are, but they produce no tax offset to the expenses of educating those children.

Lack of Lower Rentals

The Hartford Housing Authority finds that there are virtually no dwellings in town for rent under \$30 a month, and only a negligible number in the \$30-\$40 category. This means that there is no place for the vast bulk of incoming defense workers.

A survey of six defense plants (including the largest but not all such institutions) showed last July that 32,190 workers were employed. In these plants increases of about 14,000 by January, 1942, are estimated.

In November a survey showed that in the Hartford area private enterprise was building 1,176 housing units, of which only 175 would be for rent, and most of them for fairly high rentals. Rents on existing properties have been increasing.

The Y. M. C. A. and the Y. W. C. A. are lining up rooms for newcomers. A year ago the Y. M. C. A. had a hard time renting all the rooms it has available in its own building. Now there is a waiting list.

The Hartford Housing Authority is building 713 dwelling units under a slum-clearance program. By Federal regulation one slum dwelling is supposed to be demolished for each completed unit of the 713, but this demolition work will have to be deferred.

Solely to meet the needs of defense workers, the Housing Authority is building an additional development of 1,000 units.

Real Estate Men Wary

Real estate interests are not favorably inclined toward these projects. Through some error news was published here several months ago that 5,000 defense housing units would be built with Federal funds. Thereupon private enterprise generally got the idea that the government intended to take care of the whole housing job.

The result, according to real estate spokesmen, was the death of several projected private developments. Now assurances have been given that 1,000 will be the government limit. Real estate men are insisting that those units be rented at "economic rent," which they calculate at \$9 to \$9.50 a room. Government officials say that would rule out most of the lower-paid workers.

Both public and private housing experts agree that the building now going forward and that planned should meet the Hartford area's peak needs if there is no additional stepping up of defense contracts. The situation should be greatly relieved by mid-Summer. Meanwhile one "can't get a rent" in Hartford.

BRIDGEPORT

Special to the New York Times

BRIDGEPORT, Dec. 21.—The Post Office Department made a survey of housing in Bridgeport and the surrounding towns in October. It found exactly 110 vacancies.

That area covers the Sikorsky aircraft plant, where 1,100 workers were employed at the first of the year, 4,352 are now employed, and more than 5,500 will be employed when the program gets under full steam. It also covers a new complements of 8,000 workers at the Remington Arms plant.

All told, at least 12,000 new industrial employees will be needed here—and that estimate is considered most conservative.

The Bridgeport Housing Authority is building two slum-clearance projects with a total of 1,767 dwelling units. Of these 600 are completed and occupied. For the 1,167 remaining, 6,000 families are waiting.

But that is not the worst of it. The Yellow Mill project, which is being built on the site of a slum, is dotted with the original slum dwellings it is supposed to replace. Grim reminders of what the neighborhood used to look like, they raise their ugly unpainted clapboards amid the trim new brick buildings. They cannot be torn down because seventy-five families still are living in them—families that have no other place to go.

Opposition to Wide Building

The State Defense Council estimates that Bridgeport needs 3,000 defense housing units. But the Bridgeport authorities want no such total. They are asking for 600—and that is their absolute top.

This opposition to defense housing on a 3,000-unit scale comes not from any hidebound conservative city administration; it comes from the administration headed by Mayor Jasper McLevy, Socialist, widely recognized as one of the most social-minded city administrators in the country.

Bridgeport's war industries are largely of the type that cease their operations the moment war ends. Shell casings are made here, small arms and ammunition,

machine tools for other war industries. In the last war Bridgeport's boarding house beds worked a three-shift day just as her industries did.

The government built 800 houses to ease the situation (they were completed after the Armistice). When peace came the bottom dropped out of everything, the city was overextended on schools and all public services, tax returns fell off drastically and, in the words of one public official, Bridgeport became a "ghost town."

Exhausting of Labor Supply

Industrial leaders, who can sympathize with this hard-headed viewpoint, are nonetheless becoming alarmed. There is not a skilled machine worker left in the district; the State Employment Service rolls were used up long ago. (Even the WPA has dropped from 3,500 to 700, leaving virtually only the unemployable).

Training schools are doing valiant service in producing new workers, necessarily only partly trained. But the bottom is being scraped.

The Sikorsky plant is fortunate in being able to draw young men who, attracted by the romantic business of building planes, race through the training school and supply a steady pool of new workers.

But no experienced old hands are left in the vicinity. From 150 to 200 men commute by automobile daily from homes within the limits of New York City, at least four hours of motor travel daily.

Plants producing more prosaic items than airplanes have greater worries about labor supply when they consider their future needs and the probably housing supply.

Harold C. Poole, director of the Bridgeport Housing Authority, thinks the way to meet the problem is not by vast Federal housing projects but by government allowances to men who will leave their families in other cities, come here to work and live in rooming houses.

"If 6,000 workers were paid allowances of from \$200 to \$500 a year, the Federal Government still would be money in the pocket and everybody would be better off," says Mr. Poole.

Real estate groups report to the Manufacturers Association that 2,500 family units are being built by private capital in the area. But the chances are that within a few months Bridgeport's industries will be putting energy behind a movement to get more housing for workers—and to get it fast.

BOSTON

Special to the New York Times

Boston, Dec. 21—The adjoining community of Quincy, site of the Fore River shipbuilding yards of the Bethlehem Steel Company, has a unique Chamber of Commerce. As early as July, when the increasing defense program began to stir boom-times talk, the chamber issued a broadside to its members advising them to keep their feet on the ground.

The defense program, said the warning, was not going to turn Quincy into any Klondike. For one thing, there were no houses in Quincy to take care of any great numbers of new workers.

"We have probably less than 500 and perhaps less than 300 available homes for rent," said the chamber statement. "Most of these homes are in the rental range from \$50 to \$65 a month, which is too much for an average workman to pay."

On Oct. 16 the Quincy Defense Council, which is an offshoot of the chamber of commerce, sent a letter to the National Coordinator of Defense Housing in which a different story was told. By that time rumors had become current that government-subsidized housing was to be erected in Quincy, and the business community, as represented by the chamber of commerce, wanted nothing of the kind.

Boston Blight Area Chosen

The coordinator was told that by drawing on South Boston, Braintree and other near-by communities, and with its own resources, Quincy could offer 3,650 dwelling units, plus 3,450 that were being built, and in addition 7,000 furnished rooms renting for \$3 to \$5.

A considerable controversy developed in Quincy over the advisability of government-subsidized housing. There were arguments before the City Council and at public hearings.

In the end, the Federal authorities decided to situate a 1,000-unit defense housing project not in Quincy, but in the southern section of Boston; there, after serving workers of the Fore River yard during the emergency, it will be available for absorption in the regular slum-clearance program of the Boston Housing Authority.

The opposition to building the development in Quincy was based primarily on the arguments that at the end of the emergency it would depress real estate values and that sufficient housing was available within commuting distance to meet the temporary need.

In that connection it was emphasized that although at the time of the World War there were only 55,000 automobiles in Massachusetts there are now 22,000 in Quincy alone.

Aim of Quincy Committee

The City Council appointed a housing committee which recommended the establishment of a local Housing Authority to build homes for low-income workers with Federal funds.

But even members of this committee say that there is no serious housing shortage in Quincy; what they were angling for was a housing unit that might make possible the abandonment of blight areas after the emergency.

At the Fore River Yard, 10,030 men are on the payroll, against 7,000 a few months ago; late in 1942, when two new ways will have been completed, the total will be about 20,000.

A total of 194 workers now commute daily from homes thirty or more miles away from the plant; twelve men live sixty miles away. Plant officials say no labor turn-over is attributable to bad housing.

The Coordinator of Defense has ruled that the Boston area must show an increase of 2,120 dwelling units for defense workers by July 1, 1941. Private enterprise is expected to supply 1,000 of these, the others coming from government sources.

PORTSMOUTH, N. H.

Special to the New York Times

PORTSMOUTH, N. H., Dec. 21.—The Navy Yard across the Piscataqua River in Kittery, Me., employed 3,500 civilian workers a year ago. Today the total is 5,500. In this small community that is a sizable boost. Men are commuting daily from as far as Boston, fifty-seven miles away.

The housing shortage began to reflect itself in an increasing labor turnover at the yard, which specializes in submarines, and the result was that the Navy is now putting up a 600-family-unit housing development. It will serve both civilian workers and the families of enlisted men.

The men who live in it will be able to walk to work if they wish, as the development is only about a mile from the yard gate.

The site is ideal. It backs up on an inlet from the ocean and is fringed with evergreen woods that have been used for years as picnic grounds. There is no problem of providing recreation centers; the children will grow up close to authentic natural playgrounds.

The building job has been let to a private contractor by the Navy, but Navy engineers are in close supervision and the Navy will take over maintenance and will act as rental agent. Because there is no telling how long the demand for submarines will last, private enterprise was not interested in the housing project.

Although lists of rooms to rent have dwindled away in the newspaper columns, there is no dangerous shortage, as Portsmouth has numerous huge old-fashioned houses capable of taking care of great numbers of newcomers. But rents have increased, complicating the housing question for the ordinary workman.

PATERSON, N. J.

Special to the New York Times

PATERSON, N. J., Dec. 21.—Every one of the sleeping rooms in the local Y. M. C. A. is filled, and beds and lockers have been installed in rooms ordinarily used for meetings. Real estate prices in this area are up 25 percent. Rents are advancing. The banks are renovating old properties on which they hold mortgages and are quickly filling them with tenants.

Among the reasons for all this activity are these: The Wright Aeronautical Corporation, which had 4,000 employees in June, 1939, now has 14,800 and will have 6,000 more. The Curtiss Propeller Division of the Curtiss-Wright Corporation, starting from scratch, has built up a roster of 1,900 in the last two years and will add 1,600 more. Some 2,500 new employees have jobs at the many small machine tool shops.

The State Housing Authority has recommended to the city that a defense housing unit be built of some 600 or 800 units. What attitude the city administration will take is uncertain. Efforts in the last couple of years to obtain slum clearance housing, especially pushed by the Junior Chamber of Commerce, aroused much opposition.

Private enterprise has been putting up some good-sized housing developments, but the houses are for sale rather than for rent and the young men who have flocked into this area from almost every State in the Union do not want to buy, as they are uncertain how long their jobs will last. Pay checks are now running high, as men can put in about as much overtime as they wish.

No critical condition has yet developed, as Paterson can draw on housing facilities in many neighboring communities. Installment sales of automobiles, the great majority of them purchased by new airplane workers who will commute, are breaking all records.

KEARNY, N. J.

Special to the New York Times.

KEARNY, N. J., Dec. 21.—Although a housing shortage is developing in this area, it has not yet got to the point of interfering with production in the expanding defense industries. In many plants a sizable proportion of the workers recently added to the payroll are old employees who had been laid off, and many of them have homes of their own. But new hands will be needed to achieve peak activity, and then there will be housing trouble.

It is estimated that employment in West Hudson County already has been increased 30,000 by the defense upsurge. The Federal Shipbuilding and Drydock Company alone has jumped its force from 4,400 to 10,000. Du Pont, Crucible Steel, Worthington Pump, Western Electric, Koppers Coke and the Congoleum-Nairn Company are among the largest holders of government orders, and a big segment of small industry also is involved.

A housing situation bordering on the acute already is evident in Kearny, Harrison and East Newark, and rents are advancing. These communities, limited in area, never have been able to house all their workers. In Harrison, for instance, the normal population is 15,000 and the industrial population is more than 50,000.

Harrison is preparing an application for a defense housing unit to be built by Federal funds. That city already has a 214-unit slum-clearance project, now nearing completion.

SCHENECTADY

Special to the New York Times.

SCHENECTADY, N. Y., Dec. 21.—The Mayor's Local Defense Committee has been making a survey to determine the need for defense housing, but no property has been bought for public or private development.

The General Electric and the American Locomotive Companies, both of which have large defense orders, are bringing in vast numbers of new workers. Workers over the age of 40 are now getting jobs.

But real estate sources say that many rooms and flats are available and rents appear to be staying about normal. Empty store properties on principal streets have become a rarity, reflecting the increase in population.

A slum clearance project of 220 units, limited to low-income families, has been completed and has amassed a long waiting list.

BUFFALO

Special to the New York Times.

BUFFALO, Dec. 21.—Officials of real estate organizations and of the Chamber of Commerce are unanimous in expressing the belief that the defense upsurge has not produced a housing shortage in the Buffalo area.

However, houses in the \$25-\$40 bracket are not plentiful in neighborhoods that are at all desirable. In lower-priced places a surplus is reported.

Three recent surveys have shown a vacancy ratio of about 3.5 percent, or about 5,000 units. A survey of expected increases in employees, taken among 121 plants, showed that 89,167 workers would be employed next July 1, against 63,793 now. The Curtiss-Wright and Bell airplane factories accounted for about 19,000 of the increase of 25,374.

Renting offices report no noticeable increase in rents in recent months. Although there has been discussion of possible government housing, real estate spokesmen say private enterprise can do the job.

NORFOLK, VA.

Special to the New York Times.

NORFOLK, VA., Dec. 21—"We have two or three men in a room," says the landlady in one of the many boarding houses near the Navy Yard at Portsmouth.

"They're skilled workers at the yard, getting \$25 to \$45 a week. Lots of them are married and send their money home. This is a respectable place, no drinking or anything like that. If a man comes in drunk he doesn't live here any more."

The men, living two and three to a room, are building the naval vessels on which American safety depends. Eight months ago a room and three meals a day cost \$6 a week; today a bed in a room and three meals cost around \$10.

Three thousand persons, including many children, live in trailer camps near Portsmouth, many with improper sanitation.

Sharp Rise in Population

The figures below indicate what the defense program has done to the Hampton Roads area, including Norfolk, Portsmouth, and Newport News:

The Navy Yard was going along with about 6,000 employees; it now has 16,000 and will have 20,000.

The Newport News Shipbuilding Corporation had 5,000 men, has 15,000, will have 18,000. Many more thousands of men are being brought in for various Army establishments in the area and that means a demand for housing by families of enlisted personnel.

The total population of the communities in the area was estimated at 373,000 before the defense work was started; it is expected to amount to 540,000, a gain of 167,000.

Progress in Construction

The Defense Council estimates that 6,500 dwelling units have been finished or are under construction, about 2,000 by private enterprise, the rest by the Navy or other Federal authorities. Other projects are in the planning process. Defense Council officials say enough is on the fire to meet the peak demand, but they point out that houses cannot be built in a day.

The real estate interests, remembering the bump that came after the last war and the second bump that came when the United States Fleet was moved from Norfolk Base to the Pacific, are set against any additional public housing and none too pleased over what is being built.

They are thinking in terms of what will happen after the emergency. With city officials, they stress the burden on the community resulting from the need for new schools, new roads, new sewage facilities.

TEN NEW FAMILIES A DAY

But the Defense Council estimates that ten new families arrive in Norfolk daily and, as one city official said: "We're practically zero in vacancies." Even rentals on heatless houses in the Negro slums have jumped from \$8 to \$12 a month in some cases.

In Norfolk, building permits for dwellings called for \$217,000 in January, 1940, and \$2,064,545 in November. The entire 1939 total was about \$3,000,000; October and November this year topped that figure.

One house owner beaverboarded his attic, cut it into three tiny rooms, and rents it for \$35 a month.

But Norfolk's Defense Council, proud of the part the area is playing in the defense program, is determined to supply proper housing eventually. Baltimore and Richmond money are helping.

SAVANNAH

Special to the New York Times.

SAVANNAH, Ga., Dec. 21—The defense housing problem is limited in this area to providing facilities for the families of enlisted men and officers at the three military establishments in the vicinity.

There has been a great rush of private-enterprise building at Hinesville, thirty miles from Savannah, where an anti-aircraft base is situated. About 15,000 men will be stationed there.

As Hinesville was a town of 500, a boom has developed. Workmen imported into the town to build houses to meet the expected demand swamped the place.

One group took over, until discovered, the law library of the City Solicitor as a dormitory. Others lived in a trailer camp over which it became necessary, for sanitary reasons, for the authorities to exercise control.

In Savannah several thousand Air Corps soldiers are stationed. The Housing Authority has agreed to accommodate the families of 150 non-commissioned officers in Garden Homes Estate, a Federal housing project designed for civilians. Rents have shown some increases.

PENSACOLA, FLA.

Special to the New York Times.

PENSACOLA, Fla., Dec. 21—The rapid expansion of the naval air program in this locality has resulted in an influx of enlisted men and civilian workers, and rents are up about 30 per cent.

Three housing projects have been completed in the last nine months—one for the families of enlisted personnel, one for civilian defense workers and one for the families of officers. They total 440 dwelling units. About 150 additional units are to be built for officers' families.

Since the beginning of the year, private enterprise has built about 300 houses in the city, many of them selling for about \$3,500, and construction within a short drive of the city has been about equal to the record here. No serious overcrowding has been reported and there are no permanent trailer camps.

BIRMINGHAM, ALA.

Special to the New York Times.

BIRMINGHAM, Ala., Dec. 21—Rents in the industrial areas of Alabama have increased 7 to 10 per cent in the last six months. Private capital is busy and building is booming.

Both militarily and industrially the State is feeling the defense program. At Anniston, site of Fort McClellan (New York's Twenty-seventh Division is one of the units there), rents have skyrocketed and soldiers' families must go as far as thirty miles to find homes.

At Montgomery, adjacent to Maxwell Field, 400 units are being completed for families of the military personnel. Work on 200 similar units is in progress at Selma, where there is a new flying field.

The Tennessee Coal and Iron Company, a United States Steel subsidiary, is spending \$20,000,000 expanding its facilities in the Birmingham district, where a housing shortage threatens. At Gadsden a shell plant is being built. At Mobile an aviation depot is being erected.

Pressure for new houses

In the Tri-Cities area (Florence, Sheffield and Tuscumbia) the TVA is modernizing the World War nitrate plant at Muscle Shoals and the Reynolds Metals Company is building a large plant to produce aluminum.

All these undertakings mean calls for new houses.

In one district near Birmingham where many steel workers live more than 1,200 families have applied for the first new rental housing.

Real estate authorities here say that construction under way and planned will not meet the State's needs. No objections have been raised to emergency housing as a defense measure, but real estate operators express some fears that building will go beyond defense and slum-clearance needs.

The housing shortage has caused no appreciable labor turnover. There is a good labor supply in nearly every part of the State.

DALLAS, TEXAS

Special to the New York Times.

DALLAS, TEX., Dec. 21—A \$7,000,000 airplane factory and a \$1,000,000 naval air training base at Grand Prairie, near Dallas, are producing housing problems. Grand Prairie is seeking a \$3,000,000 defense housing project to house 1,000 families. The plane factory will employ 12,000 workers at full production.

Elsewhere in the State most of the housing needs concern construction workers who are accustomed to accepting living conditions as they find them. Thus at Brownwood, a West Texas city of fewer than 6,000, an Army camp is being built by 12,000 workmen. The rate for a cot in a barn or warehouse is \$1 a night.

At Corpus Christi 7,000 men are at work on a new naval air training station and 3,000 more are expected soon. Men are sleeping in trailers, tents and automobiles on the beach.

Similar conditions prevail at other centers where military construction is going ahead, but real estate men say that private enterprise will be able to meet the needs of the more permanent workers in defense industries.

DETROIT

Special to the New York Times

DETROIT, Dec. 21—The number of families which will be brought to Detroit in the next two years by the expanding defense program is estimated as high as 50,000, but virtually nothing has been done to provide housing for them.

Two new Federal housing projects are under way, and additions are being made to two others, in all taking care of 3,150 families at rents averaging \$6.50 a room. But these are ordinary slum clearance developments that were started long before national defense stirred into activity.

The recognized need of housing for low-income workers has given rise to a private project for about 500 families, but it remains in the talk stage. The primary purpose of this project, if it goes through, will be to house defense workers.

Law to "Freeze" Rents Sought

Rents are definitely on the upgrade, especially in the dwelling units of the price category open to industrial employes. Increases of 14 to 40 percent have been reported. The city has under consideration a proposal to ask the State for a law that would freeze rents.

The housing situation has been helped somewhat by private building activity which will produce a total of about 12,000 new homes this year, 90 per cent of them in the \$4,000-or-under class. The City Planning Commission has expressed fears that the districts in which these houses are being erected will be the blighted areas of tomorrow, but real estate operators say that the houses meet F. H. A. specifications and should stand up.

Trailer camps, banned in the city, are springing up on the outskirts, and the doubling up of families in houses, which had been on the wane, is increasing again.

ROCK ISLAND, ILL.

Special to The New York Times.

ROCK ISLAND, ILL., Dec. 21.—Some of the men who turn out small arms for the United States Government are living in trailers, river camps and even box cars. Officials of the Rock Island Arsenal already have encountered a labor turnover problem, caused by the fact that men who bring their families here cannot find places in which to house them.

A promising and trained workman will be hired, only to call it quits the moment he learns, from personal search, that living conditions are as they are.

In brief, the housing shortage threatens to become a considerable hindrance to the world's largest manufacturing arsenal in meeting the emergency demands of the armed forces.

A government project of 405 dwelling units is under way (the first thirty-two units are scheduled to be ready Jan. 15) and 200 more units are contemplated. But those in close touch with the housing situation in this area say that only scratches the surface.

At present about 8,000 employes are at the arsenal. At least 6,000 more are contemplated for the near future. They face not only scarcity but also its concomitant, upward moving rents.

Real estate boards in the cities of the area appear to be mixed in their attitude toward housing erected with public funds, but there has been no organized opposition. It is admitted that private construction in the area has been below normal in recent years.

Federal authorities have announced that no family will be permitted to rent a unit of the new housing for which the rent is less than 20 per cent of the combined income of all members of the family. Rents range from \$34 to \$52 a month.

ST. LOUIS

Special to The New York Times.

St. Louis, Dec. 21.—The city administration is seeking Federal funds for housing projects for defense workers, 25,000 of whom will be brought here by arms and airplane plants, and a survey by Federal experts is under way.

The Western Cartridge Company will build an \$8,000,000 plant, employing more than 8,000 men, and 10,000 more will get jobs in a TNT plant for which the War Department has picked a site in adjoining St. Charles County. The Curtiss-Wright Corporation, with a \$62,000,000 order, is multiplying its St. Louis County plant by six.

The last census showed a 6.7 per cent vacancy rate, but that has been reduced by the demolition of thirty-six blocks along the river front for the Jefferson National Memorial and the condemnation of two twenty-four-acre tracts for slum clearance projects. These projects will house 680 white families and 700 Negro families.

Private enterprise has built a great number of inexpensive one-family houses in the last year and real estate organizations hold that private enterprise is capable of coping with defense housing needs. To date there has been no noticeable increase in rents.

KANSAS CITY

Special to the New York Times.

KANSAS CITY, Dec. 21—Although this area is getting a slice of the national defense program, indications are that no housing shortage will result.

The North American Aviation Company will employ 12,000 to 15,000 persons in a bomber plant to be built at Kansas City, Kan., and about 8,000 persons will get jobs at a small arms ammunition plant at the edge of Kansas City, Mo.

But real estate interests say available housing will absorb workers coming from elsewhere. House and apartment rents have risen slightly, but there is no noticeable overcrowding.

SEATTLE

Special to the New York Times.

SEATTLE, Dec. 21—"By June of next year they'll be sleeping in the streets," says one of the architects connected with the Federal housing program here.

The big factor in the demand for housing is the Puget Sound Navy Yard at Bremerton, across the Sound from Seattle. Many workmen in the yard, unable to find homes in Bremerton, are living in Seattle and Tacoma; they get to their jobs by ferry, spending three and four hours a day in travel.

Hotel men at Bremerton have complained that publicity given to overcrowded conditions has hurt their business. But the facts are that many navy yard workers are living in trailers, and a few even brave the weather in tents. Rents have jumped.

The ten-year average employment at the navy yard up to 1939 was 2,500. Today the total is 10,000. There has also been a huge increase in the rolls of workers at the Boeing Aircraft plant, where flying fortresses are made.

At Bremerton 2,200 housing units either have been started or are in the planning stage by various arms of the government. Private enterprise is expected to put up at least 500 units, and much of this work already is under way.

The Seattle Real Estate Board and the Apartment Operators' Association hold that there are plenty of houses available for defense purposes and are generally critical of the government building.

SAN DIEGO, CALIF.

Special to The New York Times.

SAN DIEGO, CALIF., Dec. 21.—This is the area in which flourishes the auto court, a collection of cabins, designed to provide overnight accommodations for motorists. They range from swank places with cocktail lounges to rundown establishments of doubtful sanitation.

Six thousand "housing units" in San Diego's auto camps are serving now as the permanent homes of workers in this neighborhood's great defense industries.

The city's hotels proudly report that on weekdays 90 percent of their rooms are taken. On weekends, many guests are turned away, no matter what they offer. At least 1,200 trailers are being used as homes in the various trailer camps.

All this reflects the fact that 30,000 defense workers have streamed into this vicinity in the last six months. Perhaps half again as many will be required for plant extensions now under way.

The population rise has impelled the light and power company to undertake a \$6,000,000 expansion program. The school authorities are planning to spend \$2,850,000 for new buildings. The municipal water system is spending \$4,500,000 for a new impounding dam and for water mains.

Reports submitted to the Federal Coordinator of Defense Housing estimate the need for new dwelling units all the way from 3,000 to 13,000. Very little low-price housing is offered for rent.

Private enterprise has been active in building, but Federal officials hold that because of the risks entailed it cannot be expected to do a real job of housing what may be temporary workers.

The Coordinator's office has drawn up a program calling for the erection of 4,200 family units and dormitories to house 750 single men. Some of the houses will be portable.

Vastly expanded naval facilities, an airplane industry that is straining itself to catch up with the nation's needs, and a sudden growth of the Army air base and Army Air Corps training school are the factors that are multiplying San Diego.

EXHIBIT VI-A

HOUSING SHORTAGES REGARDED AS WORST SINCE LAST WAR—DEFENSE DRIVE BRINGS GRAVE PROBLEMS FOR SOME CITIES

By Frank MacMillen, Associated Press Business Writer

NEW YORK, Jan. 7.—Despite a home-building boom reminiscent of the late '20s, the roaring defense industries have brought housing shortages in some parts of the country worse than anything seen since the last war.

A national survey by the Associated Press today found authorities in some cities which are keys to the armament drive using phrases like these to describe housing conditions:

"A crisis by June."

"Appalling shortage of houses."

"This section is short 10,000 homes."

"Need added housing, sanitary and street facilities."

Coastal cities, especially small or medium-sized towns, where shipbuilding for a two-ocean navy and an expanded merchant marine dominate the industrial scene, appeared to be the worst sufferers. Communities near big Army and Navy training centers also in many cases reported great need for homes.

SITUATION VARIES

In the large manufacturing centers the situation was less uniform, though such defense localities as Pittsburgh, Bridgeport, Conn.; Philadelphia, the Hampton Roads area of Virginia and San Francisco all indicated situations ranging from "bad" to "acute."

In most of the cities where conditions were worst, however, Government housing projects were reported under way or planned, though some localities indicated programs of the present proportion, even when completed, would still leave too few homes for the rising tide of workers.

But until these large-scale homes are ready, some of them many months from now, there are localities where the defense effort is definitely being retarded by insufficient shelter.

Migratory and trailer camps, and daily commutation from long distances by automobile are unsatisfactory stop-gaps in some localities.

The Federal Government has homes for 28,527 families under way in 29 States at present, and President Roosevelt yesterday approved 6,446 additional family units. Of the latter, however, about half are in our outlying possessions and bases. At least 40,000 more units are planned by the United States Housing Authority.

VAST NEED APPARENT

The extent of the problem is indicated, however, by the fact that in the Virginia ship-building area alone, it is estimated, there is a lack of some 10,000 homes; the city of Philadelphia is estimated to require 69,000 new dwellings for defense workers and their families, and additional thousands at numerous other centers lift the total further.

Private construction in many areas has been turning out dwellings side by side with Federal projects, but the President has designated 11 districts in which he has decided that private building was inadequate to the need.

Here are a few highlights of the more than three-score cities and towns covered by the survey:

San Francisco.—State Division of Immigration and Housing says there is a rush of "industrial migrants" to trailer camps, making conditions as to sanitation, crowding, etc., almost as bad as the previous "agricultural migrants." Thousands are flocking into shacks and hovels and overcrowding apartment and hotel facilities. A private contractor is building 1,000 homes for Mare Island Navy Yard.

SHORTAGE IS "APPALLING"

Philadelphia.—President of City Housing Authority says "appalling shortage of houses" will "seriously hamper" city's contribution to national defense. Advisory Council on Education estimates 69,000 new homes needed for defense workers. Navy has asked for 1,000-unit project partly to care for several hundred families living in trailers near navy yard.

Portsmouth, N. H.—Navy yard survey shows area short 2,000 homes, with projects under way promising only half that number. Less than 50 per cent of navy yard workers live in Portsmouth, many commuting from Maine and Massachusetts towns as far as 50 to 80 miles away.

Wichita, Kans.—No home shortage despite growth in employment in plane factories from 1,300 year ago to 5,000 now and estimated 15,000 by late summer.

Seattle.—Local Housing Authority predicts crisis by June. Government may have to step in to supply homes. Same situation at Bremerton and Tacoma.

Bath, Me.—Housing facilities taxed to limit, but so far neighboring towns absorbing overflow. New shipyard building at South Portland has increased rents, may present housing problem later when 4,000 go to work.

Hampton Roads, Va.—Lack 9,000 to 10,000 homes in this ship-building area. Newport News Shipbuilding says expansion of pay roll beyond present 14,000 men hinges on houses for workers. Housing projects under way total \$17,000,000.

RENTS RISE SHARPLY

Columbus, Ga.—House rents up 30 to 50 per cent., hotels packed due to expansion at nearby Fort Benning.

Pittsburgh.—Housing administrator reports "very definite" home shortage here and nearby, says it may become as acute as 1917, when individual bedrooms were listed for workers. About \$33,000,000 housing projects under way or finished recently in this vicinity.

Rock Island, Ill.—Here and at Moline, Ill., and at Davenport, Iowa, nearby Rock Island arsenal boom causing continuing housing shortage. More than \$4,000,000 is being spent to relieve it.

Indianapolis.—This city, despite largest employment on record, "does not face a housing shortage at this time," Chamber of Commerce says. However, State Legislature meeting shortly may have to appropriate large amounts to help towns near defense projects which need housing, sanitary and streets facilities. An example is Charlestown, Ind., site of a smokeless powder plant under construction, where population has risen from 900 to 3,000 since October 1.

Alexandria, La.—Rents have skyrocketed at this town, near Camp Beauregard and other training centers. Lack 1,000 homes.

Bridgeport, Conn.—City estimated to gain 25,000 in population in 1941, against normal growth of 200. Socialist Mayor Jasper McLevy told Federal Government need at least 500 to 600 new dwellings and says he dare not put figure any higher for fear boom will die out.

Columbus, Ohio.—With residential building rivaling 1928-29 an immediate housing shortage indicated.

EXHIBIT VII

[Excerpts from Congressional Record, Appendix, October 17, 1940, pp. 20675-20676]

HOUSE SHOULD BE GIVEN OPPORTUNITY TO ACT ON S. 591, AS AMENDED, IN INTEREST OF BETTER LOW-COST HOUSING FOR THE NATION

Extension of Remarks of Hon. Adolph J. Sabath, of Illinois, in the House of Representatives, Monday, October 14, 1940

Page 20675:

Mr. SABATH. Mr. Speaker, within the past 2 weeks I have received hundreds of telegrams, letters, and resolutions inquiring why I have failed to report a rule for the consideration of Senate 591, a bill to amend the United States Housing Act of 1937. In view of the fact that I am unjustly charged with being responsible for not allowing this humane legislation to reach the House for consideration, I am compelled to explain the underlying reasons why of all the rules the Committee on Rules has reported I have been unable to obtain favorable action on this one. I feel that a majority of the membership of the House, notwithstanding the unjustifiable attacks against the complete housing program, would have voted for the bill providing for an appropriation of \$5,000,000 per annum in addition to the contracts heretofore authorized by the United States Housing Act of 1937, as amended, and which also provided for the reducing of the period of the annual contributions and the period and interest rate for loans made under the act. The passage of the bill would have also released \$150,000,000 in previous authorizations granted by Congress.

INTENSE OPPOSITION WOULD SEEM UNEXPLAINABLE

During my many years of service I have never witnessed such determined opposition on the part of a few Members as that leveled against this legislation. * * *

Not only have appeals come from Army and Navy officials but the Administrator of the Public Works Agency, the Honorable John M. Carmody, as well as the Honorable Charles F. Palmer, Coordinator of Housing under the Council of National Defense, who supervises seven Government housing agencies, have urged and stressed the need of the participation of the United States Housing Authority, and to that end have urged that the \$5,000,000 provided under S. 591, as amended, be appropriated to enable the United States Housing Authority to proceed to help in this vitally necessary housing program. * * *

Page 20676:

THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE,
OFFICE OF THE DEFENSE HOUSING COORDINATOR,
Washington, D. C., September 30, 1940.

RULES COMMITTEE,

House of Representatives, Washington, D. C.

(Attention: Hon. Adolph J. Sabath, chairman.)

GENTLEMEN: This confirms a statement made to you by me September 27, 1940, on behalf of the Advisory Commission to the Council of National Defense that S. 591 is essential to the program for defense housing.

Because of the present expansion of employment under the defense program the demand for housing has stimulated remodeling of substandard dwellings to such an extent their occupants are doubling up or are being forced into the street in many places. The resulting overcrowding and threat of exposure with winter near increase the possibility of flu and other epidemics which may attack entire communities, thus retarding preparations for defense within those areas.

S. 591 will help solve this problem by the protection decent, safe, and sanitary housing affords against disease.

Also, the fact our Government continues to care for the ill-housed, even though with a greatly curtailed program during the emergency, should keep down unrest and lessen "fifth-column" activities.

That the legislation is in keeping with the program of the President is already evidence by his letters of April 5 and May 24, 1940, to Congressman Steagall, who has been handling the bill. These letters stress its importance to the welfare of the whole Nation as well as to defense and urge enactment at this session of the Congress.

The Advisory Commission to the Council of National Defense considers S. 591 essential to its program for defense housing and trusts your committee will give it favorable consideration.

Sincerely yours,

C. F. PALMER, *Coordinator.*

EXHIBIT VIII

[Excerpts from hearings before the Committee on Public Buildings and Grounds, House of Representatives, 76th Congress, on H. R. 10412, August 29, 30 and September 3, 1940]

Page 28:

"MR. PALMER. There is a statement here, Mr. Chairman, * * * signed by Coleman Woodbury, director, in which he says: 'have read Congressman Lanham's bill "to expedite the provision of housing in connection with national defense, and for other purposes," which would give the Federal Works Administrator, acting through the Public Buildings Administration, powers to provide housing for the families of defense workers where the need is acute but probably more or less temporary, or where for other reasons private enterprise and existing governmental agencies cannot do the job adequately.'

* * * * *

"Although I believe firmly in your general principle of utilizing to the utmost established housing agencies and methods, it seems to me that this bill is aimed at conditions that probably will occur quite often in the defense program, and that, as you have pointed out, no existing agencies or methods or housing production will be able to deal with effectively. The bill seems to me competently drawn to meet these conditions, and thus to round out the coordinated defense housing program that you have been charged with formulating.

"From close observation and contact with the work of the old Housing Division of P. W. A., I like particularly the flexibility in method and procedure that would be possible under Congressman Lanham's bill. Housing needs, custom, costs, and other pertinent circumstances vary so greatly from one section of the country to another, and often from locality to locality in the same section, that only a measure granting flexible powers to responsible officials would have any chance of successful operation. This is particularly true in a defense housing program in which speedy action will so often be necessary. With this flexibility, it seems to me, are coupled sufficient safeguards at strategic points to give the necessary assurance that the powers granted could be used only for their intended purpose and would not in any way harm or hinder the operations of existing housing agencies or programs."

"That is the objective with which it was drawn."

Pages 93-94:

"MR. PALMER. * * * I will read a telegram from Mr. Herbert U. Nelson.

"Your memorandum and proposed legislation appear to me to conform completely with our discussions and understandings as to best procedure to secure emergency defense housing where it cannot be provided through normal private activity."

"Do not misunderstand me, I do not say it is the consensus of opinion of the National Association of Real Estate Boards, because they could not have taken a poll in time to reply, but that is Mr. Nelson's opinion.

"What did Mr. Buckingham, of the National Association of Builders, say?

"Your letter of August 27 with the enclosures relative to "A bill to expedite the provisions of housing in connection with national defense, and other purposes," has been gone over very carefully, together with your supplementary explanation of the different provisions of the bill.

"It seems to me that you have given this legislation very careful study in order to provide a comprehensive authority to proceed with whatever may seem necessary from an administrative standpoint as occasion may arise, in order to get the job done without limiting restrictions. Such legislation is no doubt necessary in an emergency period and it is my firm belief that it should be enacted promptly.

"Our principal concern is that the administration of affairs under this act will be guided entirely by the purposes and intent of this legislation. We shall expect that it will be guided by understanding, practical men like yourself, who know the necessity for properly handling public affairs of this nature.

"There is no question in my mind that there are many locations in this country where private capital will be unable to do the kind of job that is necessary at this time for various reasons. Procedure under this act should be confined entirely to these locations. I am sure that you will find little opposition among clear-thinking people in our industry, if they are kept advised and if the administration stays within bounds."

"The letter from Mr. Woodbury was read into the record the other day. I think I read the whole letter into the record."

EXHIBIT IX

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE FOR EMERGENCY MANAGEMENT,
DIVISION OF DEFENSE HOUSING COORDINATION,
Washington, D. C., February 5, 1941.

The VICE PRESIDENT,
United States Senate.

MY DEAR MR. VICE PRESIDENT: Enclosed herewith are two copies of a draft of a bill to amend the National Housing Act which I recommend in order to make that Act effective in the expeditious provision of adequate suitable housing in areas in which acute shortages of housing exist by reason of national defense activities.

I am advised by the Bureau of the Budget that there is no objection to the submission of this proposed legislation to the Congress for its consideration.

The bill would add a new title to the National Housing Act, making eligible for "Defense Housing Insurance" by the Federal Housing Administrator mortgages on residential properties in "defense housing areas" as determined by the President, on condition that the principal obligation of any such mortgage shall not exceed (a) 90% of the Administrator's appraised value of the property and (b) \$4,000 if upon a single-family residence, ranging upward to \$10,500 if upon a four-family residence.

Operations under the title are limited (a) in amount of mortgages which may be insured to \$100,000,000 and (b) in time within which the commitments to insure may be issued to July 1, 1942, or the earlier termination of the present emergency.

A separate "Defense Housing Insurance Fund" is created in the sum of \$10,000,000, which sum the Reconstruction Finance Corporation is directed to make available to the Federal Housing Administrator as he may deem necessary. In other respects, the new title parallels the existing provisions of the National Housing Act, and, for the most part, is in identical language.

Within defense areas to be designated by the President, and limited to low-cost properties, this bill extends to 90% mortgage financing the same eligibility features now provided upon an 80% basis in section 203 (b) (2) (A) of the National Housing Act. At present, mortgages up to 90% of the appraised value can only be insured in cases where the borrower is the owner-occupant and is able to provide 10% equity in cash. This prevents the full use of FHA mortgage insurance in many defense situations in which, with this bill, it could be highly useful under present circumstances.

The magnitude of the defense housing problem is such as to require the utmost speed in the production of dwelling accommodations at low cost. This can best be accomplished by the maximum use of the numerous builders of low cost homes who are accustomed to operating in all sections of the country with mortgage financing. The use of these normal processes and the adaptation of normal methods of financing to the present situation will provide the most expeditious and flexible method of producing the required housing, with a minimum of dislocation to the community, the private construction industry, and the system of residential financing. At the same time, it will greatly reduce the present burden upon the facilities of Federal agencies which are and will be necessarily engaged in the direct construction of or assistance in publicly financed defense housing.

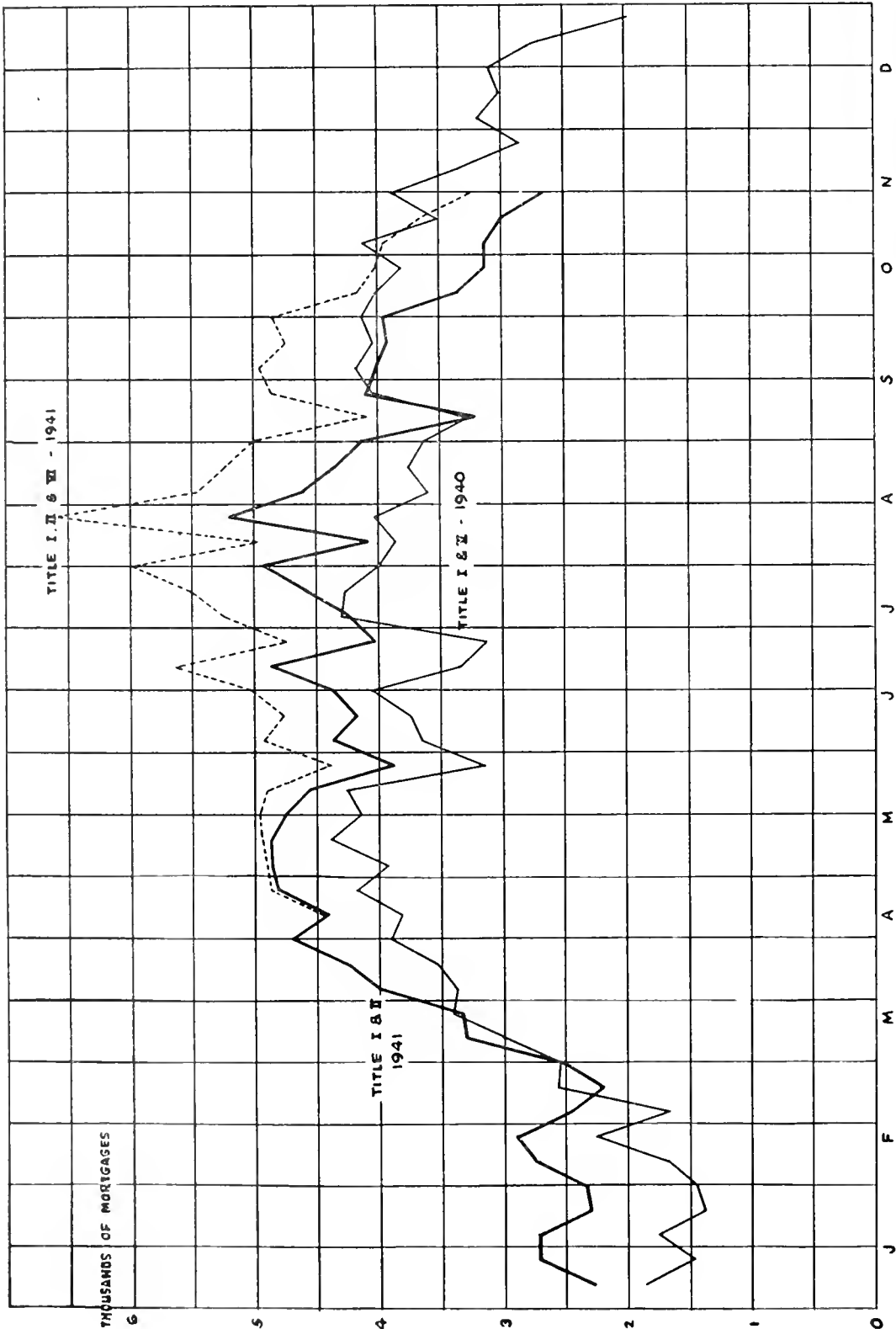
Although it is recognized that operations under this section may result in a higher ratio of loss than has been the experience of the Federal Housing Administration to date in its normal business, the cost to the Government should not exceed, and may very well be considerably less than, the loss which would be incurred in the disposition, at the end of the emergency, of an equivalent number of units provided through the direct expenditure of Federal funds.

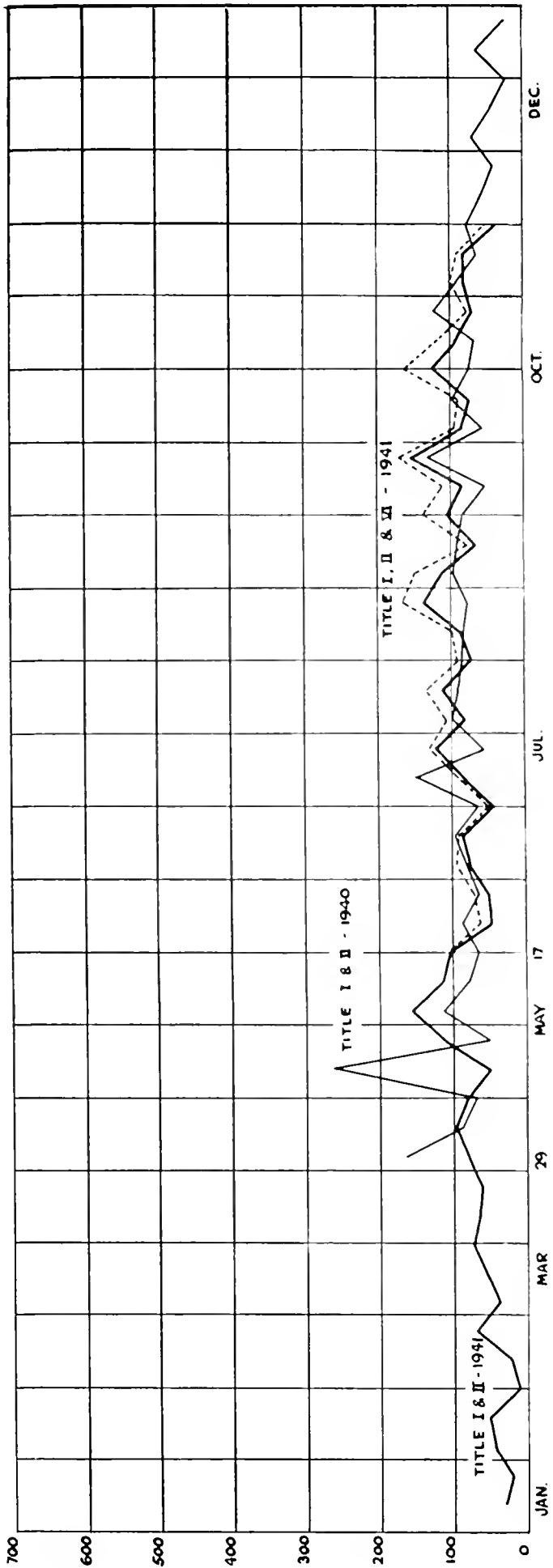
It is felt that it would be well if this legislation were presented to the Congress with all convenient speed.

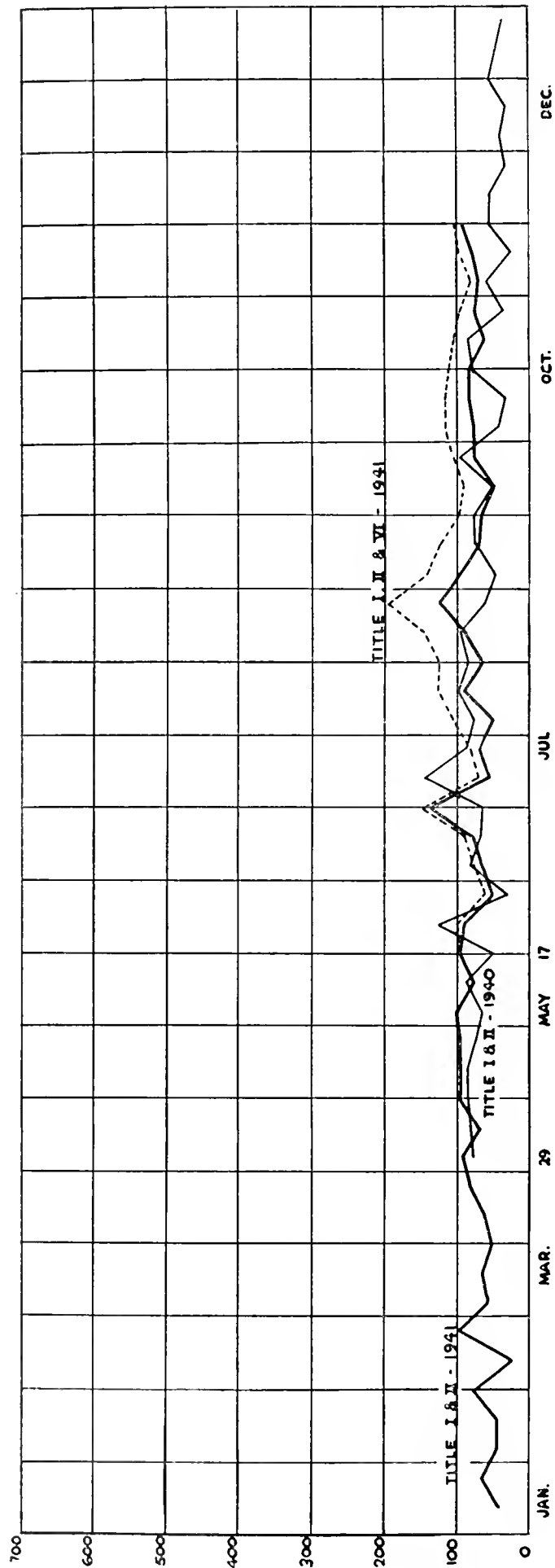
Very sincerely yours,

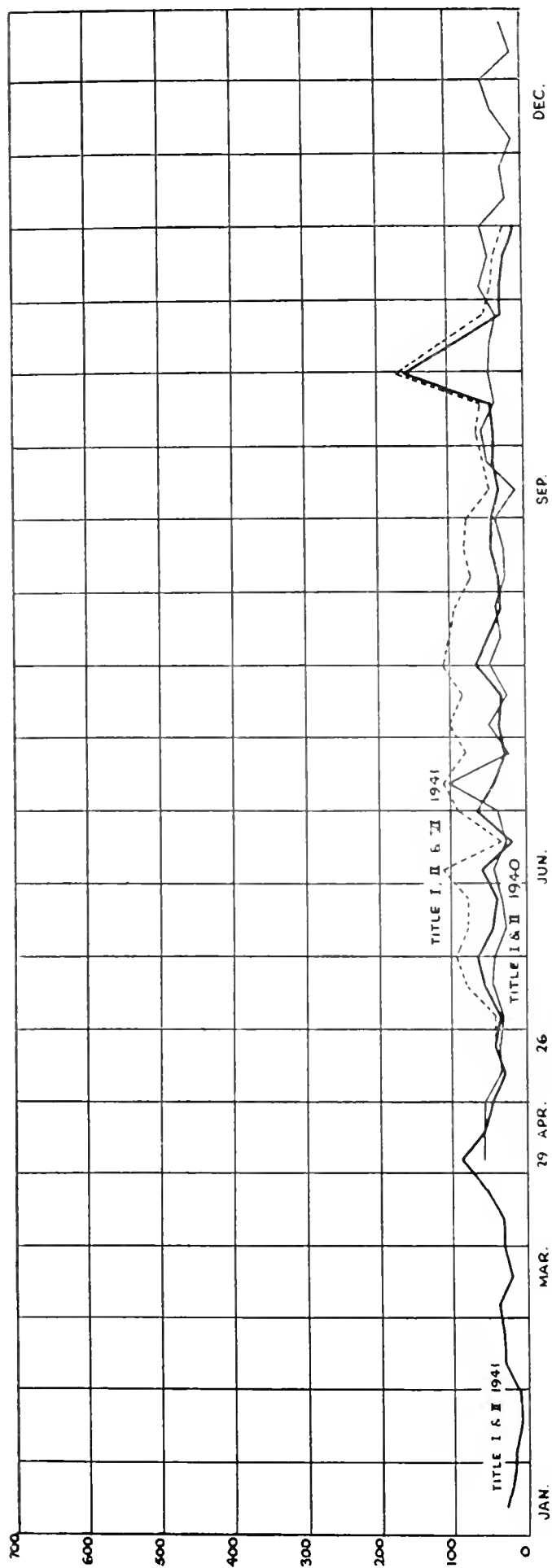
C. F. PALMER, *Coordinator.*

EXHIBIT X









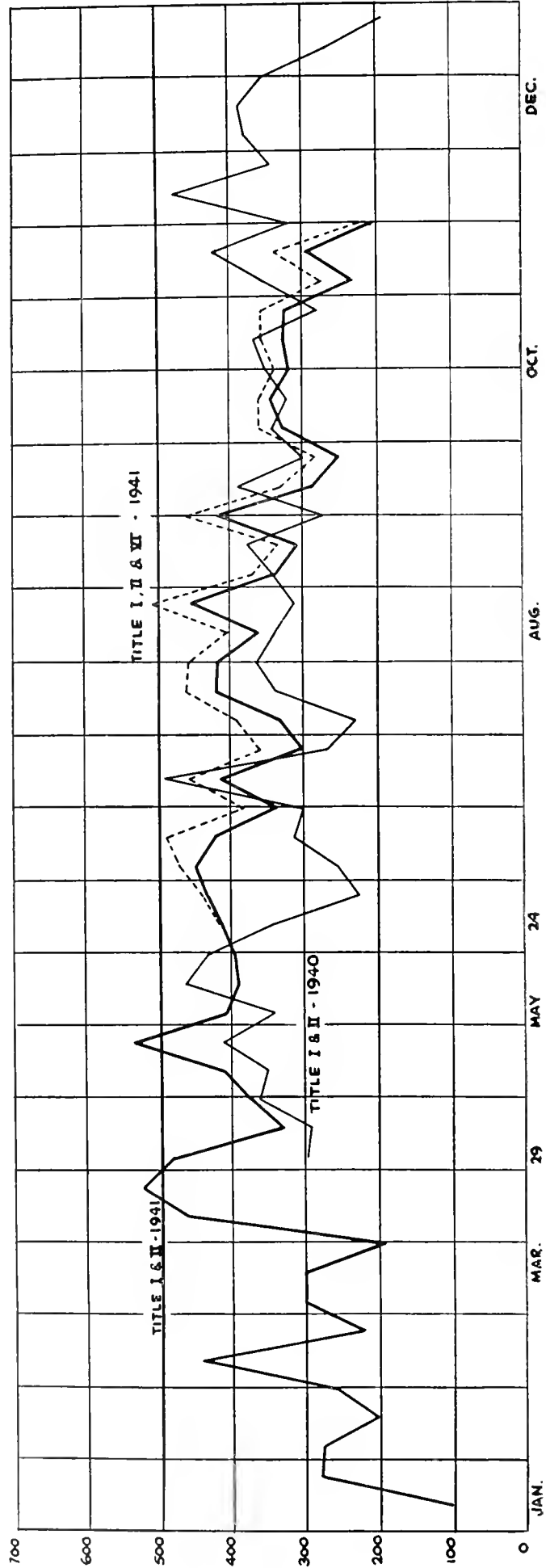


EXHIBIT No. X-A

Title VI—Statistics—Number of mortgages

Week Ending	Applica- tions Ac- cepted	New Homes Started	Week Ending	Applica- tions Ac- cepted	New Homes Started
Sept. 6.....	853	876	Oct. 18.....	738	864
13.....	754	798	25.....	564	831
20.....	652	966	Nov. 1.....	784	687
27.....	1,007	812	8.....	877	606
Oct. 4.....	792	937	15.....	747	593
11.....	762	817			

EXHIBIT No. XI

AUGUST 14, 1941.

POLICY ON DEFENSE HOUSING FOR FISCAL 1942

1. As the national defense program enlarges, hundreds of thousands of families are drawn into areas vitally affected by the defense program for essential *defense* jobs and for more or less essential *service* jobs. During fiscal 1942, the *essential* migrations into defense areas have been estimated at 300,000 families as a minimum and may reach a total of 600,000. *Essential* migration of single persons into defense areas will approximate these same figures.

REDUCTION OF MIGRATION TO A MINIMUM

2. To keep the essential migration to a minimum, the following measures are taken in conjunction with the appropriate federal agencies :

a. Advice is given on the location of defense contracts to direct them, so far as possible, into areas which can provide the necessary labor and housing.

b. We urge every practicable device to utilize local labor through training programs; and through improvement of commutation facilities to draw upon a wider labor market.

c. We discourage in-migration of families not essential to defense work by giving definite priority to defense-worker families in assigning available new houses. This is done through management policies of government defense housing, through preference on new private housing, and through the Homes Registration Offices in assignment available existing housing. Also there are under discussion, for development at such time as the situation requires, nationwide publicity campaigns warning families to keep out of specific overcrowded areas unless they are needed for defense work.

UTILIZATION OF EXISTING HOUSING

3. For the *essential* in-migration, housing must be made available; but before proposing the building of new houses, the following measures are taken to utilize existing housing :

a. Homes Registration Offices are set up by this Division and they make a complete canvass and registry of all available houses, apartments and rooms; and incoming families are directed to these available accommodations.

b. We are stimulating conversion, insofar as consistent with planning and zoning considerations, whereby quarters which have been accommodating only one family are converted into satisfactory quarters for two or more families.

c. We are stimulating the repair and improvement of existing housing in order to bring it up to standard for occupancy by defense workers.

d. We assemble suggestions and encourage the improvement of commutation service in order to widen the area of available existing housing.

NEW CONSTRUCTION

4. For the in-migrating families in excess of the maximum available existing housing, new houses must be provided. Added to these needs are other large scale demands for housing created by population increases, by the record-breaking number of marriages, and by the demand created for resident defense workers

whose incomes have increased. Careful estimates indicate that a minimum of 525,000 new family dwelling units will be required for those areas vitally affected by defense activities in order to meet these needs during fiscal 1942. Some construction of dormitories for single workers will also be necessary.

5. To provide the needed houses it is hoped that private enterprise can build about 400,000 of the 525,000. Up to the present time, the rate of private building in most of the areas vitally affected by the defense program has shown substantial increases, and it is hoped that these increases will continue. However, the uncertainties of achieving this volume of private residential construction in these areas during fiscal 1942 are:

- a. Shortage of materials, and possible shortages of labor and of transportation.
- b. Rising costs.
- c. Timidity of private capital and developers in the face of uncertain market conditions.

To aid in overcoming these obstacles, priority assistance in obtaining materials is to be granted insofar as military requirements for materials will permit; and Title VI of the National Housing Act offers certain inducements, but under control to keep these houses within lower cost ranges and within the ceiling of the number of houses required.

6. Under the prevailing circumstances, it is evident that at least 125,000 of the 525,000 houses in fiscal 1942 will have to be provided through government funds. This government construction is required in order to provide:

- a. Houses in localities where the need is so clearly temporary that private enterprise will not build.
- b. Housing for in-migrating workers of low incomes in localities where the need for housing of these families is so great that it cannot be met by existing low-rent vacancies or by that existing housing which will be made available through new construction at higher rent or cost levels.

As indicated above, there is a great uncertainty as to getting the required 400,000 balance by private financing; and insofar as this 400,000 is not produced privately, additional housing may have to be constructed by the government over and above the minimum 125,000.

7. The prime essential of defense housing is to provide for defense needs. Within this limitation, however, every locality defense housing program is planned to be integrated into the community insofar as possible, in the following respects:

- a. The program is adjusted to the locality's capacity to absorb the new houses after the emergency. Insofar as it proves to be in the public interest, and as may be authorized by the Congress, government defense housing may generally be substituted after the emergency for uninhabitable dwellings, which can then be demolished if they are no longer needed. Where the defense housing program is so large in any locality that all the new houses cannot be used there after the emergency, government defense housing is recommended for demountable construction, so that the houses can be taken down after the emergency and moved to some area where they are then needed. About 12,000 demountable houses are now under way, and it is anticipated that 20,000 to 25,000, or perhaps more, will be used in fiscal 1942.

- b. The selection of public defense housing sites and the determination as to the type of construction should be made with due consideration given to the probable ultimate use of the houses and to their relationship to the general community plan.

8. Priorities for essential housing in defense priority areas are being set up to protect the supply of critical materials for military purposes and at the same time to assure as best possible that the necessary housing (both public and private) secures its needed materials insofar as they are available after military requirements are served.

9. In view of the fact that the most difficult part of the program is that which requires getting some 400,000 houses by private enterprise in the face of influences working against such a program, it seems essential that activity under Title VI not be allowed to die out by lapse of legislative authorization. No practicable alternative to Title VI has been found.

TEMPORARY SHELTER

10. Where shelter is required for very temporary use, special type of "stop-gap" housing is provided—trailers, dormitories and portable cottages. These shelters are smaller than all the regular standard defense housing.

GENERAL CONSIDERATIONS

11. Residential construction in areas not vitally affected by defense activities should be permitted to use only materials and labor not required for the defense program, but need not be arbitrarily curtailed so long as labor and materials are available. It would be unwise to have idle labor and materials in these areas, where housing is also needed in large quantities.

12. The housing program for fiscal 1942 has been formulated in the light of the defense emergency and is intended as a compromise between the very extensive housing needs with which we are confronted and the relatively limited resources which can now be devoted to housing. The purpose of this program is to prevent the development of intolerable housing conditions. Even if the above very difficult program can be carried out in full, it will leave many areas vitally affected by the defense program in worse shape as regards housing at the end of this fiscal year than at the beginning of the fiscal year—that is, there will probably be more overcrowding, more use of substandard houses, and perhaps more adverse influence of inadequate housing upon labor efficiency and labor turnover than there is at the present time.

13. Even with this program carried out, at the end of the emergency there will be an enormous backlog of needed housing which can provide activity to cushion the decline of defense work. This backlog of housing need will run into millions of houses, notably in the lowest cost brackets, and to a slightly lesser degree in the middle cost ranges, and also in the higher cost brackets, which will inevitably be curtailed during the emergency by the considerations outlined above.

EXHIBIT XII

THE WHITE HOUSE,
Washington, September 12, 1941.

HON. CHARLES F. PALMER,
Coordinator of Defense Housing.

MY DEAR MR. PALMER: As defense production preempts an increasing proportion of our available supply of critical materials, the resulting shortages are threatening to impede our defense housing program involving both public and private enterprise. I consider the adequate provision of homes for those engaged in defense activities a necessary prerequisite to the successful conduct of our defense effort. It becomes necessary, therefore, that the Federal Government employ its priority powers to assure that materials and supplies are made available for necessary defense housing construction.

In furtherance of your existing responsibilities for determining defense housing need and planning coordinated programs, I am requesting that your office serve as the central channel for advising the Office of Production Management with respect to the assignment of priorities for deliveries of materials and equipment necessary to the provision of public and private defense housing facilities. In this way defense housing programs which you have submitted to me for approval can be assured of completion.

In order to facilitate such coordination of defense housing priorities, all requests for such priorities from Federal departments and agencies or from private agencies and individuals shall first be submitted to you as Coordinator of Defense Housing, or such assistants as you may select, for recommendation to the Office of Production Management. No housing shall be considered "defense housing" for priority purposes except upon such recommendation.

Final authority for the determination of priority ratings to be assigned defense housing facilities will, of course, remain vested in the Office of Production Management. Your Division and the Office of Production Management should develop the cooperative arrangements and procedures necessary to carry out this essential program for granting priorities to defense housing.

Sincerely yours,

FRANKLIN D. ROOSEVELT.

EXHIBIT XIII

Executive Office of the President

DIVISION OF DEFENSE HOUSING COORDINATION

Office for Emergency Management

PROCEDURE FOR OBTAINING CERTIFICATION FOR PREFERENCE RATING FOR PUBLICLY FINANCED DEFENSE HOUSING CONSTRUCTION

1. Provision by public agencies of adequate housing for defense workers pursuant to the coordinated defense housing program, is essential to the success of national defense. The Office of Production Management has approved the granting of priority rating to 100,000 public housing units qualified as defense housing. The following procedures for processing applications for certification for preference rating on public housing construction will be effective immediately.

2. No public housing will be considered "defense housing" for priority purposes except upon certification by the Defense Housing Coordinator that the project qualifies as defense housing.

3. To qualify as defense housing, a public housing project shall be :

- (a) Recommended for construction pursuant to a defense housing locality program report approved by the President ; or
- (b) Financed in whole or in part by Federal or other governmental funds, and :
 - (1) located within a Defense Housing Critical Area (a list of such Defense Housing Critical Areas will be prepared, and revised as necessary from time to time by the Defense Housing Coordinator) ;
 - (2) located within convenient commuting distance from a place or places of defense employment ;
 - (3) suitable for workers engaged or to be engaged in defense activities within the area, and shall include the customary equipment and appurtenances necessary to occupancy, and may include stores and other facilities necessary to community life, not otherwise available ;
 - (4) available at suitable rentals to such workers under regulations by a public agency which agrees to give reasonable preference to such workers for the duration of the defense emergency, of all, or such portion of, the project as the Defense Housing Coordinator may determine ;
 - (5) will fill a need which otherwise would require programming construction of additional public defense housing.

4. The preference rating granted to a project will apply only to materials, products, and items of equipment included in the Defense Housing Critical List for public housing. The Defense Housing Critical List for public housing shall be prepared, and modified from time to time as the situation demands, by the Office of Production Management.

5. Preference ratings will be granted to a project only on such quantities of materials, products, and items of equipment as the Office of Production Management may permit by priority orders issued.

6. To obtain certification for a preference rating for a defense housing project, as defined under "3" hereof, the Federal agency in charge of construction (or other governmental agency if no Federal agency is involved) shall file with the Defense Housing Coordinator at Washington, D. C., an application for Certification for Preference Rating, executed in triplicate, in form as attached hereto, with one set of drawings and specifications attached showing design and materials to be utilized. In support of the application, the applicant shall furnish the facts which are claimed entitle the project to be certified as "defense housing," and shall certify that

- (a) the items of material or equipment to be purchased, as noted on the check list attached to the application, are necessary to the completion of the project and that no practical substitute or alternate source of supply is available;
- (b) all materials and equipment obtained pursuant to the application will be used solely in order to complete the project;
- (c) quantities are not greater nor delivery dates earlier than required.

7. The application for Certification for Preference Rating will be reviewed by the Defense Housing Coordinator and if he determines that the project for which preference rating is requested qualifies as defense housing in accordance with the definition in paragraph "3" herein, he will certify thereto on the application with such comments as he deems pertinent.

8. If the Defense Housing Coordinator determines that the project for which application has been made does not qualify as defense housing he will return the application and notify the Office of Production Management of his action.

9. Upon his certification, the Defense Housing Coordinator will transmit two copies of the certified application to the Office of Production Management for its determination of preference rating to be granted.

10. The Office of Production Management will make such review of the application as is necessary to determine that no excessive uses, and all possible substitutions are made of critical materials. Upon satisfaction as to proper use and conservation of critical materials, the Office of Production Management will grant such priority rating as it may determine. Upon issuance of a priority rating, Office of Production Management will notify the government agency concerned with the project's construction, and the Defense Housing Coordinator.

C. F. PALMER,

Coordinator of Defense Housing.

OCTOBER 23, 1941.

Executive Office of the President
DIVISION OF DEFENSE HOUSING COORDINATION
Office for Emergency Management

No. _____
Date _____

APPLICATION FOR CERTIFICATION FOR PREFERENCE RATING

Publicly Financed Defense Housing

INSTRUCTIONS.—The application must be submitted, executed in triplicate, to the office of the Division of Defense Housing Coordination, Washington, D. C. by the Federal or other governmental agency concerned (USHA-aided projects should be submitted by that Agency). One set of drawings and specifications showing design, materials and equipment for each basic type of dwelling unit, together with a plot or subdivision layout plan showing the location of each building, must be submitted.

The undersigned hereby requests a preference rating for the materials and equipment noted on the Applicant's Check List of Materials, forming a part of this application, to be used in connection with the construction of _____ dwelling units to be located at _____

Street

City

County

State

The project qualifies as publicly financed defense housing because—

(Fill out either I or II)

- I. It was recommended for construction with funds from Public No. _____ in a defense housing locality program report approved by the President on _____.

- II. (A) The project is financed with governmental funds supplied by _____, and
- (1) is suitable for workers engaged or to be engaged in the following defense activities: _____
 - (2) the income levels governing occupancy will range from \$_____ to \$_____ per year, as contained in regulations of the local public agency involved in the management;
 - (3) such local public agency (and if the application is being made by USHA for a project aided by it, the undersigned) has legally and validly agreed to give reasonable preference, for the duration of the defense emergency, to all or such portion of the project as the Defense Housing Coordinator may determine necessary for defense workers.

(B) Description of project.
The characteristics of the project follow (State type of structure, total estimated cost of construction and equipment [exclusive of site acquisition] and enumerate non-dwelling facilities [such as community buildings, playgrounds, etc.]) : _____

As of the date of application the construction of the project is _____% complete (or will commence on _____) and estimated date of completion is _____.

- In support of this application the undersigned hereby certifies that
- (1) all the materials and equipment noted on the attached check list are necessary to the completion of the project, and that no practical substitute or alternate source of supply is available;
 - (2) all materials and equipment obtained pursuant to this application will be used solely in order to complete the project;
 - (3) quantities are not greater nor delivery dates earlier than required.

_____ Federal or other governmental agency involved.
Date: _____ By _____
Authorized Representative
_____ Address

The project described in the above application is considered qualified as "defense housing", subject to the following comments: _____
_____ and is hereby certified for priority assistance.
Dated: _____, _____

Defense Housing Coordinator.

NOTE.—This form may be reproduced by the applicant.

EXHIBIT XIV

FEDERAL WORKS AGENCY
UNITED STATES HOUSING AUTHORITY,
Washington, October 22, 1940.

DEAR MR. PALMER: We have received a number of requests from the Army and the Navy that certain projects (including the Bridgeport project, CONN-1-2, mentioned in your letter of September 23rd) be converted as a whole into defense projects under the terms of Public No. 671.

We recognize the pressing and imperative demands of the national defense program and are anxious to do everything in our power to assist in providing the necessary defense housing. In cases where USHA-aided projects are urgently needed for defense purposes and other arrangements for filling the need cannot be made, it would obviously be in the national interest to find some way of using them for this purpose immediately upon completion.

On the other hand, the projects now under construction are owned by Local Authorities who have undertaken them in accordance with the basic objectives of the USHA Act of 1937 for bettering the housing conditions of families living in slums. The contracts under which the Local Authorities operate require that these projects be used for rehousing slum dwellers, and in reliance on these contracts the localities have been tearing down or otherwise eliminating old slum dwellings equal in number to the new dwellings in the projects. In some cases these programs have been started only after bitter struggles against hostile owners of slum dwellings and other opponents, and after long educational programs. With respect to these projects we feel that the progress already made should not be lost, and that the original objectives should not be abandoned.

Since conversion of such projects to defense housing would, in effect, be an abandonment of the local low-rent housing and slum clearance programs, we do not see our way clear to authorize such conversions, unless arrangements can be made for new low-rent housing projects to replace them.

Fortunately, it seems possible under the terms of the Lanham Act to make such arrangements, and to transfer USHA-aided projects to the defense program where necessary. Our suggestions in this regard have been discussed with you by Mr. Seaver and Mr. Vinton.

Pending decisions on this matter no action is being taken at this time looking to the conversion of the Bridgeport project, CONN-1-2, or other projects into defense projects.

* * * * *

In addition to requests for the conversion of entire projects to defense purposes, we have received numerous requests that a portion of the units in various projects be reserved for the specific use of persons in defense activities.

As pointed out above we believe it inadvisable to divert low-rent housing from its original purpose, and, therefore, think it is generally unwise to reserve low-rent housing projects in whole or in part for the specific use of persons in defense activities.

However, in the period before your appointment as Defense Housing Coordinator and before the formulation of a coordinated housing policy, and at the urgent request of the Army and the Navy, we approved action by Local Authorities in reserving a certain number of units for the families of enlisted men and noncommissioned officers in four projects referred to in your letter of September 23rd. The reservations approved are as follows:

Project and number	Total units in project	Units reserved for defense
Philadelphia, PA-2-1.....	535	60
Columbia, SC-2-1.....	236	100
Savannah, GA-2-3.....	314	200
Honolulu, TH-1-1.....	221	73

No change has been made in the legal status of these projects and they therefore continue to operate under the provisions of the USHA Housing Act of 1937 rather than under the provisions of Public No. 671.

We feel that no further reservations of this character should be made, and that such reservations as have been made should be regarded as a temporary expedient rather than a permanent diversion of low-rent housing units from their original purpose. We trust that as soon as other provision has been made in the above localities for the housing of the families of enlisted men and non-commissioned officers, it will be possible for them to move from these projects into quarters provided under the defense housing program.

Of course if any of the four projects mentioned above is required as a whole for defense purposes, arrangements might be worked out for its conversion in the manner suggested above, under the provisions of the Lanham Act.

Faithfully yours,

[S] NATHAN STRAUS, *Administrator.*

Mr. C. F. PALMER,
Coordinator, the Advisory Commission to the Council of National Defense,
677 Federal Loan Agency Building, 811 Vermont Avenue NW.,
Washington, D. C.

EXHIBIT XIV-A

FEDERAL WORKS AGENCY,
UNITED STATES HOUSING AUTHORITY,
Washington, November 5, 1940.

MY DEAR MR. PALMER: This is in response to your request in your memorandum of October 23, for a list of places in which the USHA has been requested to make USHA-aided low-rent projects available in toto or in part for defense housing purposes.

<i>City</i>	<i>Requested By</i>
Bridgeport, Connecticut_____	L. H. A.
Philadelphia, Pennsylvania_____	Navy
Annapolis, Maryland_____	Navy
San Juan, Puerto Rico_____	Army & Navy
Ponce, Puerto Rico_____	Army
Columbia, South Carolina_____	L. H. A.
Savannah, Georgia_____	L. H. A.
Key West, Florida_____	Navy
	State Housing Board
New Albany, Indiana_____	L. H. A.
Brownsville, Texas_____	
El Paso, Texas_____	L. H. A. (no formal request)
Hattiesburg, Mississippi_____	L. H. A. (" " ")
Los Angeles, California_____	Navy
Honolulu, Territory of Hawaii_____	Navy
Laurel, Mississippi_____	City
Warren, Ohio_____	City
Spartanburg, South Carolina_____	City
Holyoke, Massachusetts_____	City
Newport News, Virginia_____	L. H. A.
Knoxville, Tennessee_____	L. H. A.
Erie, Pennsylvania_____	Navy

Faithfully yours,

[S] NATHAN STRAUS, *Administrator.*

Mr. C. F. PALMER,
Housing Coordinator, the Advisory Commission to the
Council of National Defense,
677 Federal Loan Agency Building, Washington, D. C.

EXHIBIT XV

FEDERAL WORKS AGENCY,
UNITED STATES HOUSING AUTHORITY,
Washington, November 14, 1941.

DEAR MR. PALMER: Permit me to acknowledge your letter of November 10 enclosing your comments with respect to the review of 68 applications for priority

assistance for certain USHA-aided projects. Permit me to acknowledge also your memorandum of November 4 (received November 10) on the subject of priorities and attaching the proposed "Procedures for Priority Clearances by Division of Defense Housing Coordination of Projects financed with Public Funds Other Than Defense Housing Funds." I am assuming that these more recent communications supersede your earlier letter of November 3.

Of the 68 applications reviewed by you, I have noted that you are recommending disapproval of four projects located in Defense Housing Critical Areas (as previously determined by you) on the ground that there is no need for such public defense housing in these localities. As to the 64 other applications, we are agreeable to all of the changes requested by you, including changes in many cases to increase the top income limit for admission of defense workers and to speed up the completion of construction of certain projects. We are confident that all of the local housing authorities involved will also be agreeable to such changes and we will proceed now to obtain their agreement through their adoption of appropriate resolutions. Now that these projects are to be used for housing defense workers, we will step up the time for their completion by establishing quick time schedules comparable to those for projects developed by us under Public No. 671 and the Lanham Act. In this regard we also feel confident that the various contractors constructing these projects for the local housing authorities will agree to complete the projects substantially within the shorter periods indicated by you.

We are therefore agreeable to your modifying the applications in the manner in which you propose. We urge that you then approve them and send them to OPM. It is understood that we will not release priority certificates issued by OPM unless and until we have received satisfactory assurances from the local authorities agreeing to the increased top income limits for admission and to the shortened construction periods.

We have reviewed the proposed "Procedures for Priority Clearance by Division of Defense Housing Coordination of Projects Financed with Public Funds other than Defense Housing Funds." We have no suggestions or comments to make concerning the proposed procedure. We have noted that you have defined "income" as the income of the principal wage earner. We are agreeable to this definition for the purpose of determining eligibility for occupancy. However, for purposes of fixing rent schedules, it will be necessary to determine the income of the entire family of each defense worker. In this connection, we plan to recommend that local authorities use a system of graded rents based upon the net family income with the provisions of many state laws which require that family incomes for admission shall not exceed five or six times the rentals to be charged.

With respect to the submission of plans and specifications, we will continue to make the submittals that have been agreed upon between representatives of our respective offices. However, we believe that after your office has had an opportunity to review a sufficient number of these applications, you will find the plans and specifications conform to approved standards and that their review by your office can be eliminated because it constitutes a duplication of work that has already been satisfactorily performed by USHA.

In most of these cases where the top income limits for admission are increased, we will want to modify the contracts for financial assistance to bring them under the provisions of Title II of Public No. 671, approved June 28, 1940. In order to do this, it will be necessary for the President to make the findings and give the approval required by the terms of that legislation. We assume that you are agreeable to this and will join in recommending such Presidential approval.

Faithfully yours,

[S] NATHAN STRAUS, *Administrator.*

Mr. C. F. PALMER,
Coordinator, Office for Emergency Management,
Division of Defense Housing Coordination,
1600 Eye Street NW., Washington, D. C.

SAMPLE LOCALITY PROGRAM REPORT

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE FOR EMERGENCY MANAGEMENT

DIVISION OF DEFENSE HOUSING

Confidential

LOCALITY PROGRAM REPORT No. 1

Pittsburgh Locality, Including Pittsburgh, Allegheny County, and New Kensington and Arnold, in Westmoreland County.

I. SUMMARY

1. *Report of Need.*—The Coordinator has received numerous reports from various sources in the Pittsburgh Locality that an acute housing shortage exists, indicating an apparent need for from 16,000 to 17,000 new dwelling units required in Pittsburgh and Allegheny County, including the towns of New Kensington and Arnold, which are in Westmoreland County (See Part III, Section 1).

2. *Defense Activity.*—Pittsburgh area is an important industrial region whose basic industry is iron and steel. In addition, electrical equipment, coal, coke, plate glass, and aluminum all are important products manufactured. The very nature of these products indicates both a direct and indirect participation in the defense program. The plant capacity of the heavy metal industries has increased from 82% in July 1940 to 102% in March 1941. Additional orders are anticipated, and plant expansions are contemplated due entirely to the demands incident to national defense. (See Part III, Section 2.)

3. *Labor Need and Supply.*—There will be an estimated increase in employment during 1941 of 49,000 male workers. To meet this need, the potential supply of qualified men is not over 30,000, requiring importation of 19,000 workers, a large percentage of which must be in the skilled classification. Of these, probably 60% or 11,500, will be married, for whom houses will have to be provided. These estimates are based upon present orders. It is not only possible, but probable, that additional contracts and subcontracts may bring all unused facilities into production and require the employment of up to 27,000 more workers. There is a probability that anticipated plant expansions will cause the demolition of approximately 2,000 dwelling units presently occupied. (See Part III, Section 3.)

4. *Housing Situation.*—(a) General Description of the Area: Increase in population during the decade—2.7%. More than 500,000 workers were employed in the county during the latter part of 1940, a gain of 10% over the number engaged in gainful pursuits one year previous. The bulk of the increase is attributed to manufacture, which rose 18% during the year as a direct result of the demand for defense production. Transportation facilities appear to be adequate between different industrial sections and residential areas of the county.

(b) Reported vacancies are subnormal: Vacancy ratios for dwelling units for rent in good condition or needing only minor repairs are as follows:

Pittsburgh	1.3%
Monongahela Valley4%
Allegheny Valley6%
Ohio Valley	1.0%

(c) Public Housing: Local Authority projects completed and occupied—four projects: 1,716 units; under construction—one project: 1,851 units; contemplated—seven projects: 1,427 units. Total—twelve projects: 4,994 units.

(d) New Construction: Private enterprise is active in constructing dwellings for sale at a price of \$5,000 and up. According to F. H. A. reports, greater activity can be expected in the defense housing program, particularly in the lower priced houses, with the assistance of F. H. A. insurance and participation by member institutions of the Federal Home Loan Bank system. (See Part III, Section 4, Subsection (d) and Part III, Section 5.)

5. In view of the above, it is recommended that 15,000 family dwelling units be constructed, as set forth in Part II.

II. RECOMMENDATIONS FOR LOCALITY PROGRAM ^a

Project Number	Defense Activity	No. of Family Units	E or C	P Q U	On or Off	When Needed	Approx. Monthly Shelter Rent	Allocation or Assignment	Const. Agency
PA 38101.	Recommendation for Project:								
	Industrial Workers.	10,000	C	Q	Off....	8/1/41 to 1/1/42	^b \$35-45	Private.....	Private, ^f
	Industrial Workers.	• 5,000	C	Q	Off....	9/1/41.....	^c \$25-30	PA 849d. ^e ...	F. W. A.
		15,000							

^a Explanation of symbols:
Fam—Family dwelling units.
C—Civilian employees of the Army, Navy, or defense industries.
Q—Considered desirable as permanent additions to the locality's housing supply; period of use in connection with defense activity is uncertain. Projects designated as "Q" but built under PA 849 will probably be used for low-rental housing purposes after the emergency is over. Private projects are expected to have permanent use at economic rentals.
Off—Construction off present military reservation.
Private—Private enterprise.
PA—Public Act.
FWA—Federal Works Agency.
^b Tentative and approximate monthly shelter rent; 4,000 @ \$35; 3,000 @ \$40; 3,000 @ \$45.
^c Tentative and approximate monthly shelter rent; 1,500 @ \$25; 1,500 @ \$27.50; 2,000 @ \$30.
^d Finding of Need by the President May 2, 1941.
^e See last page for recommended locations.
^f By virtue of Presidential finding, dated April 9, 1941, the financing provisions of Title VI of the National Housing Act are available in this area.
^g Subject to availability of funds.

The above recommendations are subject to the conditions stated in Part IV.

III. DETAILED DISCUSSION

(1) *Report of Need.*—The Coordinator has received numerous reports from various sources in the Pittsburgh area indicating an acute housing shortage and requesting that investigations be made leading toward the formulation of a program to provide adequate housing for the families of workers in defense industries. Most of these requests have been from local labor unions. In response thereto, the Coordinator's Office has caused field surveys to be made which confirm a need for new housing and in addition, has requested that local committees be formed throughout Allegheny County, for the purpose of investigating and reporting such need as might be apparent in their respective localities. These committees are comprised of representatives of town government, labor unions, industry, and general business. As a result of this endeavor and corresponding reports, there is a reported need for from 16,000 to 20,000 new dwelling units required in Pittsburgh and Allegheny County, including the towns of New Kensington and Arnold, which are in Westmoreland County. A Central Committee on Housing for Pittsburgh and Allegheny County have confirmed this estimate. (See telegram from Committee to Coordinator, dated March 26, 1941). This Central Committee is composed of the Director and Chief Engineer of Public Works of Allegheny County, the President of the Federal Home Loan Bank Board of Pittsburgh, the Director of the Federal Housing Administration for Western Pennsylvania, and the two Executive Directors of the Pittsburgh Housing Authority and the Allegheny County Housing Authority.

The reported need by the local committees for eleven separate sublocalities, exclusive of the City of Pittsburgh, totaling 17,250 dwelling units is as follows:

Sub-locality	Reported Need No. Dwelling Units	Sub-locality	Reported Need No. Dwelling Units
1. Turtle Creek Valley..... East Pittsburgh. Wilmerding. Turtle Creek.	2,500	7. Ohio Valley..... McKees Rocks. Neville Island. Stowe Township.	1,000
2. Clairton.....	3,000	8. Lower Allegheny Valley..... Etna. Sharpsburgh. Blawnox. Verona.	1,000
3. Duquesne.....	3,000	9. Chartiers Valley..... Carnegie. Bridgeville. Scott Township.	1,000
4. Upper Allegheny Valley..... Brackenridge. Tarentum. Harrison Township. East Deer Township.	700	10. Youghiogheny Valley..... McKeesport. Glassport. Versailles.	750
5. Monongahela Valley (s. 3,000)..... Homestead. West Homestead. Munhall. Midlin Township.		11. Westmoreland County..... New Kensington. Arnold. Total, 17,500.	500
6. Monongahela Valley (N. 800)..... Braddock. North Braddock. Swissvale. Rankin.			

Pittsburgh City has not reported a specific need, but an additional 3,000 units for this City appears to be a conservative estimate, which, added to the above gives a grand total of approximately 20,000 dwelling units which have been reported.

In addition to the above, the Coordinator has received a resolution from the Members of the House of Representatives from Allegheny and Westmoreland Counties, in which they concur in the presentation by the officials of their localities of facts which show the need for 15,000 dwelling units in Allegheny County and 983 dwelling units in New Kensington, Westmoreland County. This resolution is the result of many requests which have come to these Congressmen from Western Pennsylvania for homes for defense workers.

(2) *Defense Activity.*—Iron and steel are the basic industries in this highly developed and important industrial region, followed by electrical equipment, coal, coke, plate glass, aluminum, and food chemicals. Direct contracts received incident to National Defense have been relatively small and are reported to be \$65,000,000 to January 1, 1941. However, secondary contracts are many times the amount of direct orders received from the Federal Government. In view of the potentialities for expansion, plus indications that additional orders have been applied for and pending, a large increase in volume is expected by the leading manufacturers. The usual index of activity in the heavy metal industries is the "percentage of capacity" at which the steel mills are operating. This rose from 82% in July 1940 to 89% in January 1941, to 102% in March 1941. Two major plant expansions are contemplated by the Carnegie-Illinois Steel Company. It can be assumed that the major part of the increased activity and production in the area for the past nine months is due entirely to the demands incident to National Defense and that during the emergency the proportion of defense work to domestic work in the heavy industries will continue to increase.

It is, of course impracticable to enumerate all of the industries in the area, but listed below are a few of the largest, together with their present employment figures:

	Total Employees
Jones & Laughlin Steel Co.....	10,769
Carnegie-Illinois Steel Co.....	28,816
Allegheny Ludlum Steel Co.....	5,700
Pittsburgh Plate Glass Co.....	2,400
American Window Glass Co.....	2,000
Aluminum Company of America.....	5,000
Westinghouse Electric Manufacturing Co.....	14,300
National Tube Company.....	7,300
Pressed Steel Car Company.....	2,000
Spang-Chalfant.....	1,800
Superior Steel Company.....	1,000
Mesta Machine Company.....	3,450

(3) *Labor Need and Supply.*—As pointed out, increased employment in all pursuits amounted to between 45 and 50,000 workers during 1940, of which 15,000 were attributed to the metal products group alone. This is important, since it is an indication of the defense impact having started in July of 1940.

A survey conducted by the Pennsylvania State Employment Service as of January 1, 1941, indicates that 241 firms, chiefly metal manufacturing establishments, estimate a further increase of 28,000 workers (25,000 men and 3,000 women) during 1941. It is estimated that other manufacturers will hire 12,000 persons, and that non-manufacturing establishments will need 20,000 additional workers during the year. These estimates total 60,000 workers (49,000 men and 11,000 women) to be hired before January 1942. The same report indicates an estimated potential supply of qualified employable males to be approximately 30,000 who would be obtainable within the County and Pittsburgh. The balance, or 19,000 will have to be recruited from outside the County during the year. No difficulty is expected in supplying the need for women workers. There is presently an acute shortage of skilled labor in some trades which is not available within the County; hence, a large portion of the importations will be, necessarily, in this classification. The bulk of the demand for additional labor will come during the last half of the current year.

In approximating future labor demands in Allegheny County, it is important to note that the value of sub-contracts held in the area is estimated to be many times the value of direct contracts. Furthermore, according to the above report, the 241 employers contacted in the survey estimated that with their present space and equipment they could add 55,000 employees to their payroll. Since their labor need, on the basis of orders on hand, is 28,000 persons, it is not only possible but probable that additional contracts and sub-contracts may bring all unused facilities into production and require the employment of up to 27,000 more workers. The minimum hourly wage rate is 62½¢ per hour, or \$25 per week. Skilled labor is being paid as high as \$1.25 per hour, or \$50.00 per week. To summarize: There will be an estimated increase in employment during 1941 of 49,000 male workers. To meet this need, the potential supply of qualified men is not over 30,000 requiring importation of 19,000 workers, a large percentage of which must be in the skilled classification. Of these, probably 60% or 11,500 will be married, for whom houses will have to be provided.

(4) *Housing Situation.*—(a) General Description of the Area: Allegheny County, in which the City of Pittsburgh is located, is transversed by three rivers, the Allegheny and the Monongahela, which join at Pittsburgh to form the Ohio River. It is in the valleys of these rivers and their larger tributaries that the factories, mills, blast furnaces, coke ovens, and other heavy industries are located. Towns and boroughs have grown around the larger mills and factories until there are at present in the County, exclusive of Pittsburgh, over 120 towns, boroughs, and townships, each a political subdivision.

According to the Census report as of April 1940, the population of Pittsburgh was 671,659 and the net population of Allegheny County was 739,880, or a total of 1,411,539. This represents an increase in population during the decade of 0.3% in Pittsburgh, 5.0% in Allegheny County, outside of Pittsburgh, and an overall increase of 2.7% in the County.

As above noted, the area constitutes one of the most highly developed industrial regions of the United States, having a great many manufacturing plants, large and small, which require a large volume of raw materials to make heavy producers' goods as well as consumers' goods. The larger plants are now working to present plant capacity requiring in most cases, three shifts. It is reported, however, that many of the smaller industries are still below plant capacity and have not, as yet, been required to work more than the one shift. More than 500,000 workers were employed in the County during the latter part of 1940, a gain of 10% over the number in gainful pursuits one year previous. The bulk of the increase is attributed to manufacturing, which rose 18% during the year as a direct result of the demand for defense production (Report of Pennsylvania State Employment Service—February, 1941). In the largest manufacturing group (Metal Products) employment rose from 135,000 workers during the summer of 1940 to 150,000 at the end of the year.

Transportation facilities are adequate between different industrial sections and residential areas of the County, although the service is reported to be poor at peak hours and during night shifts. A network of interconnecting bus and electric car service extends into all parts of the County, while shuttle service is furnished by the railroads up and down the valleys. Although the majority of

the industrial workers reside fairly near to their work, as evidenced by the extreme concentrations within a restricted area surrounding nearly all large manufacturing concerns, considerable commuting takes place daily, large numbers being reported as commuting a distance of more than twenty-five miles.

(b) Vacancies: According to the Housing Census conducted by the Bureau of the Census in April, 1940, there were 7,451 vacant dwellings for sale or rent in Allegheny County, a vacancy ratio of 2.0%. The vacancy ratio at that time was reported as 2.4% in Pittsburgh. This would represent about 4,368 vacant units. The vacancy ratio in Allegheny County, exclusive of Pittsburgh, was reported to be about 1.6%.

A vacancy survey of the Pittsburgh Housing area was conducted during the latter part of February on a sample basis by the Works Projects Administration. For survey purposes, the housing area of Pittsburgh was divided into four parts: Pittsburgh, the Monongahela Valley, the Allegheny Valley, and the Ohio Valley. The results of this survey are as follows:

Area	Overall Vacancy	Vacant for Rent in Good Condition or Needing Only Minor Repairs
Pittsburgh.....	2.2%	1.3%
Monongahela Valley.....	1.0%	.4%
Allegheny Valley.....	1.2%	.6%
Ohio Valley.....	1.9%	1.0%

According to this survey, there were in the area covered about 5,300 vacant dwellings, of which about only 3,000 were for rent and in good condition or in need of only minor repairs. This report of abnormally low vacancy ratios indicates an acute housing shortage throughout the locality. In addition, the percentage of sub-standard and otherwise poor conditioned houses is extremely high, especially in the river valleys. The houses are old and in bad repair, many not fit for habitation, clustered in the valley bottoms close by the plants. They have been ravaged by time and flood. In addition, rents are high, causing not only doubling up, but occupancy of three to six families in one dwelling unit in many places where the lowest income groups reside. A personal inspection of these areas by a member of the Coordinator's Staff confirmed the reports that hundreds of workers presently engaged in defense activities were not decently or adequately housed.

(c) Public Housing: The following table presents the status of all public housing in Allegheny County at the present time:

	Pittsburgh	Allegheny County	Total
Complete and occupied.....	2P—1222 U	2P— 494 U	4P—1716 U
Under construction.....	1P—1851 U		1P—1851 U
Contemplated.....	2P— 834 U	5P— 593 U	7P—1427 U
	5P—3907 U	7P—1087 U	12P—4994 U

(d) New Construction: During the first eleven months of 1940, there were issued building permits for 2,384 dwelling units in the 35 communities in Allegheny County for which permits are reported. Of these, 288 were for a U. S. H. A. project at McKees Rocks and the remaining 2,096 for private construction. The major portion of this construction was concentrated in five communities: Pittsburgh, Brentwood, Mt. Lebanon, Township, Mifflin Township, and McKeesport. The five communities accounted for 1,606 permits for dwelling units. Pittsburgh alone reports permits for 794 dwelling units in the first eleven months of 1940, as compared with permits for 582 units of private construction in 1939. During 1939, construction was started on an additional 3,073 dwelling units in Pittsburgh under the U. S. H. A. program.

Although general demolition and conversion data are not available for the area contemplated, plant expansion at Duquesne and Homestead will require the

demolition of approximately 2,000 family dwelling units. Some provision must be made for the housing of families displaced by this defense industrial expansion.

(5) *Determination of Net Need.*—In view of the facts cited above, with due consideration being given to the anticipated increase in employment, the importation of workers, the low vacancy ratio, and the present substandard condition of many present dwellings, it appears that a program of 15,000 family dwelling units should now be provided. Private enterprise is active and apparently anxious to participate in this program to the fullest extent of its capabilities. It should therefore be possible for private enterprise to furnish 10,000 family dwelling units with the assistance of the Federal Housing Administration and the member organizations of the Federal Home Loan Bank Board system. Private enterprise however, cannot be expected to meet the total need, since rental units should be provided for those workers who can only afford to pay between \$25 and \$30 per month shelter rent. This rent is below that which private enterprise can economically meet. For this reason, 5,000 dwelling units should be supplied with funds furnished under PA 849, as set forth in Part II of this report.

This program covers Allegheny County, including the City of Pittsburgh and the Towns of New Kensington and Arnold, in Westmoreland County. As pointed out above (See Part III, Section 1, for itemized list of towns and townships in each sublocality), there are 11 sublocalities in the county, in addition to the city of Pittsburgh. It is recommended, therefore, that the 5,000 dwelling units to be erected under PA 849 be distributed among these sublocalities approximately as set forth in the schedule below. This is for the purpose of supplying the needs of the workers in the various plants located in each one of these sublocalities.

In this connection, due consideration should be given to local problems incident to race segregation, and provision should be made in site selection so that present customs of any sublocality in the matter of race segregation should be conformed with.

Particular attention is called to the matter of the difficult terrain throughout the county. These projects should not be located in the river valleys where the present towns are now situated.

Recommended locations for housing 5,000 units under PA 849

Area	No. of Units	No. of Projects	Area	No. of Units	No. of Projects
1. Turtle Creek Valley.....	600	2	8. Lower Allegheny Valley..	250	1
2. Clairton.....	700	2	9. Chartiers Valley.....	250	1
3. Duquesne.....	700	2	10. Youghiogheny Valley....	200	1
4. Upper Allegheny Valley..	200	1	11. Westmoreland County (New Kensington—Ar- nold).....	250	1
5. Monongahela Valley (South).....	700	1 2	12. Pittsburgh (colored).....	700	2
6. Monongahela Valley (North).....	200	1			
7. Ohio Valley.....	250	1		5,000	-----

¹ 1 of which should be in Pittsburgh.

IV. MANAGEMENT PLANS

The recommendations for the Government housing projects contained in this Locality Program Report necessarily cannot include, in the present stage of these projects, plans for management, except tentatively with respect to rental range and intended type of occupants. Therefore, this Report contemplates that the agency to which management of a Government project is assigned will transmit to the Coordinator for clearance, at least sixty days prior to initial occupancy, specific proposals for the management thereof.

Prepared April 21, 1941:

B. FRANK BENNETT,
Acting Regional Coordinator.

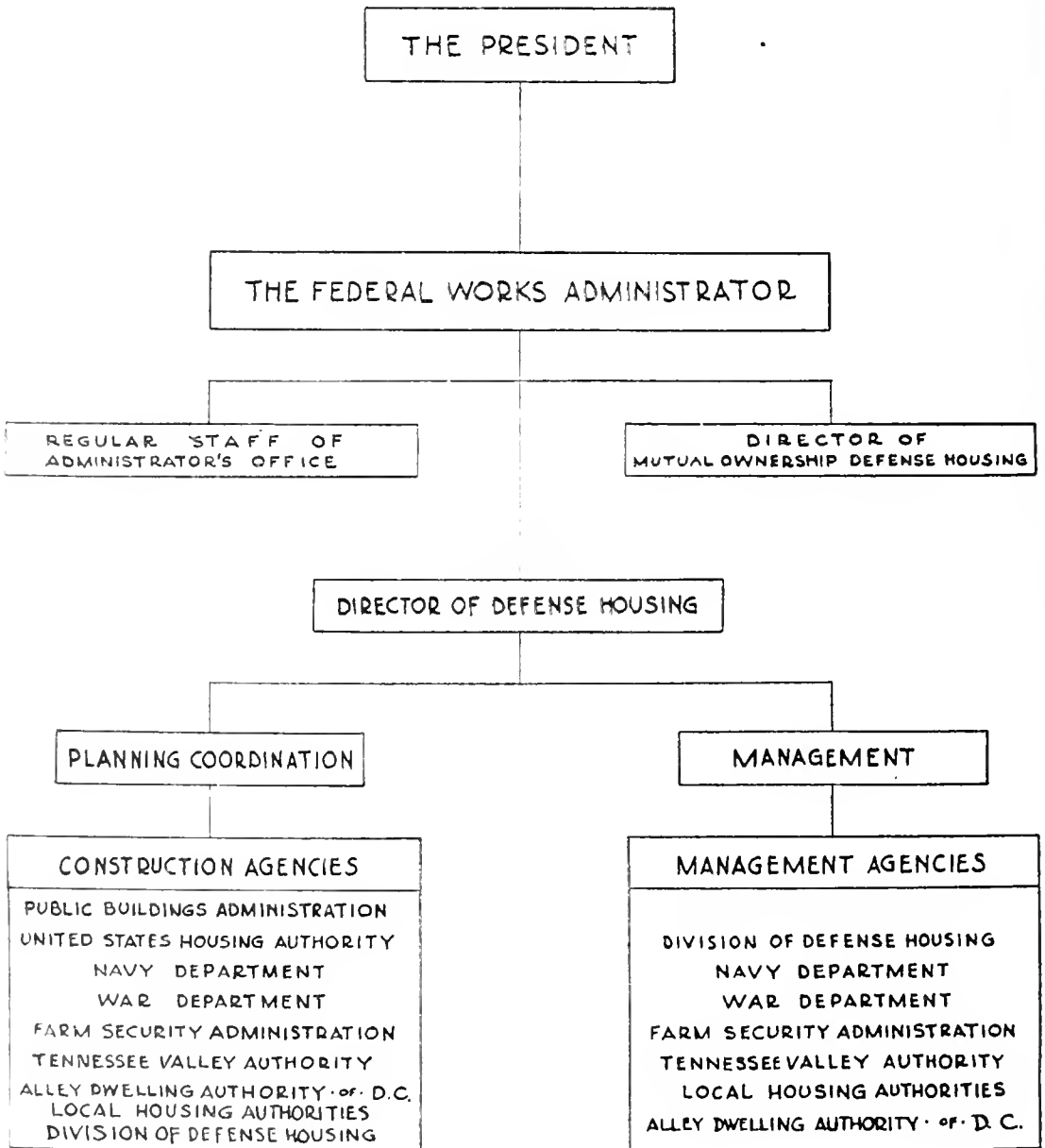
Approved April 30, 1941:

Coordinator.

Approval of this locality program report by the President: May 2, 1941.

The following chart is included in connection with the testimony of John M. Carmody, supra, p. 2325.

• HOW • DEFENSE • HOMES • ARE • BUILT • & • MANAGED •
• UNDER • THE • LANHAM • ACT •
• ORGANIZATION • CHART •



The following data is included in connection with the testimony of John M. Carmody, *supra*, page 2381:

Type of fuel used by U. S. H. A. defense housing projects in Pennsylvania

PA-36051	Aliquippa.....	Gas—Individual hot air.
PA-36058-X	Aliquippa ^{1 2}	
PA-36056-X	Baden Boro ¹	Do.
PA-36041	Bethlehem.....	Coal—Individual forced hot air.
PA-36042	Bethlehem.....	Do.
PA-36044	Bethlehem.....	Do.
PA-36053-X	Boro Township ¹	Gas—Individual forced hot air.
PA-36057-X	E. Rochester ¹	Do.
PA-36021	Erie.....	Coal—Individual forced warm air.
PA-36082	Middletown.....	Do.
PA-36052	Midland.....	Gas—Individual forced warm air.
PA-36060-X	Midland ¹	Do.
PA-36059-X	Monaca ¹	Do.
PA-36011	Philadelphia.....	Do.
PA-36012	Philadelphia.....	Do.
PA-36014-X	Philadelphia Northwest..	Do.
PA-36015-X	Philadelphia South.....	Do.
PA-36016-X	Philadelphia Northeast...	Coal—Individual forced warm air.
PA-36055-X	Pulaski Township ¹	Do.
PA-36054-X	West Mayfield ¹	Gas—Individual forced warm air.

¹ Projects are not yet under construction.

² Will probably be gas—individual hot air.

Type of fuel used by P. B. A. defense housing projects in Pennsylvania

PA-36281-X	Bristol.....	Gas—Forced warm air.
PA-36081-B	Carlisle.....	Coal—Forced warm air.
PA-36271-X	Chester.....	Gas—Forced warm air.
PA-36091-X	Corry.....	Gas—Floor furnaces for one story; forced warm air for two story.
PA-36261-X	Delaware County.....	Gas—Forced warm air.
PA-36262-X	Delaware County.....	Do.
PA-36061	Ellwood City.....	Coal—Forced warm air.
PA-36251-X	Hatboro.....	Gas—Forced warm air.
PA-36071-X	Titusville.....	Gas—Floor furnaces for one story; forced warm air for two story.
PA-36031	Williamsport.....	Coal—Forced warm air.

Type of fuel used by O. A. D. H. defense housing projects in Pennsylvania

PA-36151	Clairton.....	Gas—Forced warm air.
PA-36152	do.....	Do.
PA-36181-X	Dravosburg.....	Do.
PA-36161-X	Etna.....	Do.
PA-36241-X	Harrison Township.....	Do.
PA-36221-X	Mifflin Township.....	Do.
PA-36222	do.....	Do.
PA-36131-X	Munhall.....	Do.
PA-36111-X	New.....	Do.
PA-36201-X	North Braddock.....	Do.
PA-36101-X	Pittsburgh.....	Do.
PA-36171-X	Stowe Township.....	Do.
PA-36121-X	Turtle Creek Valley.....	Do.

Type of fuel used by O. A. M. O. defense housing projects in Pennsylvania

PA-36013-X	Philadelphia.....	Gas—Warm air furnaces.
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